

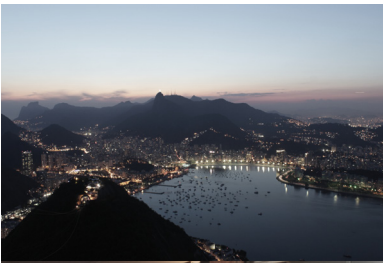
GES | 2012/2013



Global Economic Solutions

Proposals from the Global Economic Symposium

Edited by Alessio J.G. Brown and Dennis J. Snower,
in cooperation with Romesh Vaitilingam





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Patron of the Global Economic Symposium

José Manuel Barroso

President of the European Commission

Preface

The Global Economic Symposium focuses on providing solutions to global problems, i.e., problems that can only be addressed through global cooperation. It recognizes explicitly that our world has become increasingly interdependent and that challenges that cut across borders, such as climate change, financial instability and overfishing, require a common approach.

Since its beginnings, the European project has both anticipated and fostered such interdependence. It addresses supranational challenges and promotes cooperation that enhances the common good and the wellbeing of people across nations.

At a time of huge economic and financial challenges in Europe—and of anxiety and suffering for many Europeans—the awarding of the Nobel Peace Prize to the EU is an important reminder of what is at stake. The Nobel Prize Committee underlined how the European project represents “fraternity between nations” and has “contributed to the advancement of peace and reconciliation, democracy and human rights in Europe.”

Our quest for European unity is not an end in itself, but a means to higher ends. In many ways, it is about the quest for a cosmopolitan order in which one person’s gain need not be another’s pain and abiding by common norms serves universal values. This cosmopolitan vision is one of the most important contributions that the EU can bring to an emerging global order. It is the basis for our multilateral approach to globalization framed by the twin principles of global solidarity and global responsibility. That is why, despite its imperfections, the EU can be, and is a powerful inspiration for many around the world.



Patron of the GES

Economic progress is a key means of achieving a greater common good. When the economy is mistakenly viewed as a means to achieve power or as a zero-sum struggle for finite wealth and resources, it can set people and nations against each other. But Europe takes a different approach, using the economy to build peace and bring nations together beyond selfish interests. The EU recognizes that economic exchange is a positive-sum game, where my partners' fortunes support my own, where we can achieve more together than we can alone and where our interests can grow so intertwined that peace becomes self-evident.

At the same time, as the recent financial crisis shows, closer economic integration demands stronger political governance at both a European and a global level. Within Europe, policy coordination has been strengthened and the EU has embarked on a journey toward significantly deeper integration. More broadly, the G20, the IMF, the World Bank and cooperation among central banks have an enhanced global economic governance.

Our combined efforts are bearing fruit. Financial markets are regaining confidence. Investment is gradually returning to troubled economies. A year ago, at the beginning of 2012, markets were giving up on Greece. Now, they are upgrading their outlook for the future. Yet, while the financial crisis seems less acute, we cannot afford to be complacent. Much remains to be done.

Europe is now at a defining moment. The European Commission has presented its views on how to complete Europe's Economic and Monetary Union, launching the fundamental debate on how the EU must evolve, both economically and politically. The European Council agrees that we need a deeper financial, fiscal, economic, and political union which, in turn, requires more democracy—more European democracy.

While much has been achieved, economic growth in Europe remains a challenge. We need growth, but it must be sustainable, respectful of limited resources and not fuelled by more debt. And from the Renaissance to the Industrial Revolution to the ongoing ICT revolution, history shows that sustainable growth is based on the three prongs of education, research, and innovation.

I am therefore delighted that the Global Economic Symposium chose “Growth through Education and Innovation” as the central theme of its 2012 conference and this edition of “GESolutions.”

Innovation is a cross-cutting way of equipping all sectors of our economy to be more competitive. It is more than product development, it is also about how our society changes and improves. It is about the way we do business, the way we work, the options we chose as consumers and citizens. It is about turning new ideas into growth, prosperity, jobs, and well-being.

Education remains a challenge across the world. Even in Europe, which invests a lot in access to education, the statistics are troubling. The number of skilled jobs outnumbers the supply of students with higher-education qualifications. While 35% of all jobs in the EU will require higher-level qualifications by 2020, only 26% of the workforce currently has such qualifications.

It is therefore vital, not just out of fairness, but also for our economic future, that we widen access to higher education to underrepresented groups, notably the poor and the marginalized. We also need to do more to support universities as drivers of growth in less developed regions.

Improving education is a matter of quality as well as quantity. Studies highlight how educational quality, rather than mere school attainment, is strongly related to the distribution of income and to economic growth. To promote excellence in higher education, we need to reward top-notch teaching, encourage more flexible teaching practices, tailor curricula more closely to labor-market needs, encourage mobility and facilitate the cross-border dissemination of ideas and best practices.

While fiscal consolidation is essential, cutting investment in key areas such as education and research and development is a false economy. It would lead to lower growth and less good jobs in the future. On the contrary, we need to be much more ambitious about education, research, innovation and science.

Jean Monnet, one of the founding fathers of European integration, once said: “Those who decide not to start any enterprise because they are not assured that things will move in conformity with their plans are condemning them-



Patron of the GES

selves to absolute immobility.” We Europeans need to be more open to new thinking and more willing to take the risk of starting new enterprises. The stakes could not be higher. Innovation is nothing less than our capacity to create the future we aspire to.

A handwritten signature in black ink, consisting of a vertical line on the left, a horizontal line extending to the right, and a curved line at the end that loops back towards the horizontal line.

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1. The GES 2012

The Global Economic Symposium (www.global-economic-symposium.org) is meant to give a new impetus to global problem-solving.

Each year the GES has a highlighted issue that is given special attention. The GES 2012 addressed the issue of “Growth through Education and Innovation.” Global competition and the global financial crisis have put additional pressures on global growth. At the same time, a new wave of globalization is under way, in which outsourcing and offshoring no longer just affect unskilled and manufacturing jobs, but also skilled and service sector jobs. These trends call for a new impetus for education and innovation around the world, because in this new wave of globalization, education and innovation are essential to foster future growth.

The GES considered new approaches in global problem-solving and examined strategies of achieving sustainable economic policies, sustainable business models, sustainable institutions of transnational governance and sustainable civic initiatives.

While these are troubled times, they are also periods of great opportunity. The problems are global, whereas political and business decisions are usually made on a firm, national or regional level. Thus, what we need are:

- shared visions of the future that will inspire us to work together, embodied in
- concrete policies, strategies and action plans to achieve these visions,
- formulated through a dialogue among diverse leading decision-makers.

For without such a dialogue, the action plans would lack credibility. And the action plans must be based on state-of-the-art research. Our ideas must go through the crucible of rigorous analysis and evaluation.

This is the purpose of the GES:

- It is a solution symposium, not a discussion forum. The focus is on proposed solutions to global problems.

- It is a research-based exchange, resting on the Virtual GES (the Internet platform of the GES), containing background research, policy and strategy proposals, and discussion forums. The Virtual GES—which is supported by the German National Library of Economics (the world's largest economics library)—has the objective of becoming an international repository of proposed solutions to global problems, together with underlying analysis.
- It is a multistakeholder initiative, since it initiates a strategic dialogue between leaders from the worlds of academia, business, politics, and civil society.
- It seeks a long-term perspective, as its aim is to make the world a better place for the next generation.

The GES is meant to be daring and foresighted. It values intellectual integrity, not political correctness. We are not concerned with marginal improvements in existing arrangements; instead, we seek radically new proposals that could put our future, as a global economic community, on a better course. These proposals need to be concrete and implementable. In short, the aim is to think out of the box; to be visionary, but simultaneously practical.

The GES assembles leaders from business, politics, academia, and civil society to address global problems and formulate socially desirable responses. The dialogue is supported by the Virtual GES, the web-based platform of the GES, containing background research, policy and strategy proposals, as well as discussion forums.

The success of the GES depends on the efforts of the GES communities that support it:

- The Advisory Board deals with strategic issues of the GES.
- The Organizers—GES 2012: the Kiel Institute for the World Economy and the Bertelsmann Stiftung—provide underlying research and supporting services.
- The FGV Foundation and FGV Projetos collaborate closely with the Organizers and contribute their research, policy-making, educational



Global Economic Solutions

and business expertise. They were also the local hosts of the GES 2012.

- The German National Library of Economics produces a knowledge base for the GES. Thereby, we seek to build a central repository of existing solutions to global problems, on which basis the new solutions can be developed and evaluated. Through this repository the Virtual GES is meant to become an ongoing platform of communication among academics, policy-makers, business-leaders and civil society advocates. Furthermore, the German National Library of Economics has launched the following new initiatives: GES 2.0, the GES Blog and the GES Open Solution. The GES Open Solution is a nonscientific open-access document connecting the online community to join our search for solutions to global problems we all share. Specifically it worked on proposals for the GES 2012 topic “Tackling Inequality of Opportunities.”
- The session expert teams, comprising renowned specialists from around the world, select panelists for each session.
- The Global Economic Partnership seeks to help business-leaders to align their activities with the solutions to global challenges. A central aspect of this partnership is the “global stewardship initiative” which encourages companies to identify opportunities that allow them to take advantage of their core competencies to tackle specified global problems.

Importantly, all these communities stand to gain by communicating with one another. Business-leaders frequently need opportunities to think about long-term trends and scenarios and to relate their business challenges to global economic challenges. Policy-makers and civic leaders need to keep abreast of the latest thinking on policy responses to global problems—such as ageing societies, social welfare provision, employment creation, development of skills, etc. Academic economists need to remain in close contact with business- and policy-leaders to analyze global problems and their interconnections effectively. The GES aims to meet these needs.

2. Global Economic Solutions

The proposals resulting from the GES—small but useful steps in a constructive direction, supported by decision-makers from diverse walks of life—we label “Solutions.” This label is obviously not meant to imply exhaustive answers, but rather insights concerning concrete actions that could move us up the ladder of global collaboration.

This document summarizes some prominent, innovative proposals generated by the GES 2012. The proposals achieved sizable agreement from the GES panelists and the wider GES community. The proposals aim to provide shared visions of the future, which are meant to inspire cooperative efforts to address global problems. Where possible, they are also meant to be practical, feasible actions towards well-defined goals.

The proposals are grouped into four broad areas, each subdivided into topics corresponding to the sessions of the GES:

The Global Economy

1. The Future of Central Banking: Inflation Targeting versus Financial Stability
2. Fiscal Consolidation through Fiscal Rules?
3. Optimizing Information Use through the Internet and Social Media
4. Effective Investments in Education
5. Improving Financial Education and Literacy
6. Redefining Universities

The Global Society

1. Designing Intelligent Labor Migration Policies
2. Tackling Inequality of Opportunities
3. Mental Training towards a Caring Economy
4. Tackling Youth Unemployment
5. Expanding Job Opportunities for Senior Citizens
6. Implementing Board Diversity



Global Economic Solutions

The Global Polity

1. Favelas—A Global Challenge and Opportunity
2. Security in the Face of Globalization
3. Fostering Open Government Initiatives in Public Services

The Global Environment

1. Protecting and Restoring the World's Forests
2. Exploring Energy Resources in the Arctic Ocean
3. Reassessing Renewable Energies
4. Promoting Food Security: The Contribution of Climate-Smart Agriculture

There is naturally a great deal of overlap among the four areas, for the simple reason that the GES places particular emphasis on global economic problems, many with environmental consequences, with important implications for global society, whose solutions can be addressed through global polity. Nevertheless, the reader may well find the four areas useful for organizing ideas about global issues.

The topics in the area of “The Global Economy” are primarily economic; those in the area of “The Global Polity” are primarily political; and so on. So, for example, the topic “Promoting Food Security: The Contribution of Climate-Smart Agriculture” is first and foremost an environmental issue, even though it clearly has massive economic, social and political consequences.

Naturally we do not claim that all the proposals made here are new. We do not aspire to novelty per se, but to usefulness. Myriads of new policies and strategies are invented in response to global problems each year. Our aim is not to add to their number. Rather, the epochal challenge we face today—in this world of missing cooperation under growing interdependence—is to identify a coherent set of insights that can provide a basis for concrete cooperative action.

These insights should ideally satisfy a number of basic prerequisites:

- The insights should be internally consistent. All too often policies and strategies are created in mental silos, each formulated without refer-

ence to the others. For example, pension policies are often designed independently of employment policies; redistribution policies are usually formulated independently of growth-promoting measures; energy policies often conflict with the objectives of environmental policies. The GES strives to avoid this pitfall. It seeks awareness of the interconnections among global problems, along with the consequent interconnections among the policy and strategy responses.

- The insights should aim to serve the global public interest in the widest sense. In particular, they are meant to be inclusive in geographical terms—relevant to the countries of the world, whether developed or developing. They also aim to be occupationally and socially inclusive—relevant to the business, policy-making, academic and civic communities, to the employed and unemployed, and to the rich and poor.
- The insights should focus on actions that are meant to make the world a better place for the next generation. This means that the underlying problems are lasting ones, not those that are likely to disappear in a matter of years. The insights involve the longer-term thinking that is often displaced by the urgent day-to-day issues with which business-leaders, policy-makers and other representatives of civil society must deal. They aim to provide a picture of the future towards which we must strive through concrete policies and strategies.

Needless to say, this is a tall order. Success can only be achieved through the accumulation of many small steps in a coherent direction. The GES is meant to contribute to this process. The insights presented here are the product of a prolonged exchange of ideas—during the GES and in the months before and afterwards—among leaders from the business, policy-making, academic and civic communities. Although the GES participants come from diverse walks of life, they share the belief that we need a reawakening of global cooperation in our current multi-polar world.

All past instances of global cooperation began as ideas in the heads of individuals that grew into visions that aligned people's diverse efforts. The GES seeks to help generate such ideas. While none of us can make a substantial difference in isolation, each of us can make limited, concrete



changes towards the common good and the sum of all these changes will be our legacy for the next generation.

We hope that this document will stimulate further research, debate and policy initiatives. If the GES is to have real value, it must be merely the beginning of a continuing process—a process of creating a shared framework of thought that can inspire diverse decision-makers to pull in the same direction.

3. Intergenerational Dialogue

As part of its efforts to bequeath a better world to future generations, the GES has initiated an intergenerational dialogue. The guiding principle is that it is not sufficient for experienced leaders to formulate plans for what they consider to be a more promising future: activists of the next generation also need to be a central part of the discussion to say whether this is indeed the future they hope for.

As part of its intergenerational dialogue, the GES 2012 hosted 9 Global Economic Fellows, exceptional young people who have already begun to make outstanding contributions towards addressing major global problems. The Fellows had been nominated by the GES community, submitted project ideas and been selected by a jury drawn from the GES Advisory Board. Their job was to engage with the experienced leaders to help create blueprints for the future. As GES participants the Global Economic Fellows submitted their solutions proposals to some of the challenges debated at the GES ahead of the GES into the Virtual GES, thereby influencing the debate at the GES and the solutions in this book.

4. Popular Solutions

At the end of each GES 2012 session, all participants were asked to vote for the solution proposal they found most promising and inspiring. While

these proposals were debated in the session, they were not necessarily ones that the panelists chose to agree on and include in their “Global Economic Solutions.” The public’s choice is significant in its own right. Thus, the most popular proposals, in the sequence of their popularity, are published here:

1. Preschool compassion training.

Offer “compassion training” to preschool classes to encourage prosocial behavior.

2. Teacher performance incentives.

Reward and sanction teachers on the basis of fair, objective and comprehensive metrics including classroom observations, portfolio reviews, and assessments by principals.

3. Fiscal rules for debt and deficits.

Base fiscal rules on operational targets for budget deficits and long-term debt-to-GDP targets.

4. New contracts for youth workers.

To tackle youth unemployment, replace temporary contracts with single open-ended contracts with gradually increasing employment protection.

5. Risk indicators for central banks.

Establish a set of indicators of systemic risk and commitment devices for central banks and financial regulators.

6. Migrant worker training.

To design intelligent migration policies offer ex-ante training for skilled workers in countries of origin financed by destination countries.

7. Mental training facilities in the workplace.

Institute mental gymnasia in the workplace as a complement to physical gymnasia to improve physical and mental health.

8. Evaluate Arctic drilling.

Assess transparently the costs, risk and potential benefits of Arctic drilling through a comprehensive dialogue between all stakeholders.



Disclaimer

The proposals summarized in this document are meant to provide insights for action to promote global cooperation in addressing major global problems. These insights have received sizable agreement from the GES panelists, participants and the wider GES community, but they do not reflect the views of any particular panelist, participant or community member. Nor do they reflect the views of any organization to which these individuals belong.



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1. The Future of Central Banking: Inflation Targeting versus Financial Stability



Challenge

The global financial crisis has led to a profound rethinking of the consensus on monetary policy. Before the crisis, most monetary economists agreed that “flexible inflation targeting”—in which central banks focus on maintaining price stability and stabilizing the output gap—was an appropriate and sufficient mandate for conducting monetary policy. Key assumptions underlying the consensus were that this mandate would automatically lead to financial stability and that the framework of monetary policy could deal with cross-border capital flows.

But the consensus is increasingly seen as inadequate. Monetary economists and central banks have broadened their perspective on financial stability, viewing it as a major concern for the conduct of monetary policy. For example, many central banks are now publishing financial stability reports and other indicators that reflect the state of the financial system.

How much of the precrisis consensus remains valid and how much rethinking of monetary principles is needed? Are central banks right to broaden their goals to include not only inflation targeting but also financial stability? And should they be given an explicit mandate for financial stability, such as targeting the growth of credit and asset prices?

After the crisis, which tools are most appropriate for the conduct of monetary policy and should the goals of inflation targeting and financial stability be pursued using the same tools? If the two goals come into conflict, how should central banks resolve the conflict? And to what extent should central banks be involved in financial regulation?

GESolution 1

Central banks should adopt “default countercyclical policy,” using the “comply or explain” approach.

Central banks should improve their monitoring of financial variables by designing a variety of presumptive macroprudential indicators. For exam-



1. The Future of Central Banking: Inflation Targeting versus Financial Stability

ple, they could increase their focus on credit aggregates and the growth of asset prices. In addition, they could rethink the concepts underlying their monetary analysis, particularly the role that monetary aggregates play in the emergence of financial imbalances.

Each central bank should designate a small number of indicators that have preceded and accompanied booms and busts in the past. They could choose whichever seems historically appropriate. These could include, for example, increases in credit expansion above the norm and above the average credit to GDP ratio; increases in household indebtedness above the norm and above the average debt to GDP ratio; and increases in housing prices above the norm and above the average ratio of house prices to the general level of prices.

Ultimately, if central banks detect the unsustainable build-up of financial balances, they should be required either to take countervailing “macroprudential” steps to counteract that phase in the cycle or to explain in public why they did not do so.

The problem is not designing the appropriate instruments but getting them used in a countercyclical fashion. The only way to do that is to apply ex-ante rules. But rules are a straitjacket and are frequently in practice inappropriate, so a better procedure is “comply or explain.” The purpose is to put some degree of countercyclical action into the default option rather than having inertia as the default option, which is normally the case now.

GESolution 2

Create a World Monetary Authority to promote a multilateral approach among central banks.

Coordination among central banks was limited during the crisis. But international coordination is a necessary condition for global financial stability and it needs to be enhanced.

The Bank for International Settlements could be developed into a World Monetary Authority that coordinates important monetary policy decisions and unconventional monetary interventions. Central banks from both the advanced and emerging economies would have to participate in the new body. With their collective rise to political and economic power, Brazil, Russia, India and China (the “BRICs”) could take a lead here.

International coordination is also vital given the growth of cross-border banking relations. This needs to be complemented by international coordination of the “lender of last resort” function among central banks (notably for currency swaps between them).

GESolution 3

Delivering price stability must remain central banks' primary goal.

In times of crisis, central banks can act as a “fire service” through the tools of liquidity management and unconventional monetary instruments. In some cases, these interventions are necessary to prevent a collapse of the payments system and to maintain financial stability.

For example, “quantitative easing” is an appropriate approach at the current stage of the global economic recovery. Further actions of this kind by the Federal Reserve and the European Central Bank should be supported if the central banks purchase the right assets at the right time to provide liquidity effectively.

But these measures should always be temporary in nature. Central banks should only act as a liquidity provider in a crisis and they should not permanently prevent necessary economic adjustment after a crisis. Longer-lasting financing of insolvent market participants may threaten central banks' primary goal of maintaining price stability.



1. The Future of Central Banking: Inflation Targeting versus Financial Stability

Panelists



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Pablo E. Guidotti

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2. Fiscal Consolidation through Fiscal Rules?



The image shows a magnifying glass over a financial statement. The magnified area contains the following data:

1.365.144,00	
1.255.870,00	-
92.130,00	-
150.264,00	+
370.454,00	-
65.807,00	-
3.266.410,00	-
20.147,00	-
325.612,00	+
5.012.569,00	
1.045.789,00	

Challenge

Large and growing ratios of public debt to GDP in many countries are demanding vigorous efforts to achieve fiscal consolidation. Many observers believe that a fiscal rule should be the central element of a successful strategy: they argue that a rule would restrict discretionary actions by governments, thereby strengthening the credibility of consolidation. But there are substantial differences of opinion on the precise specification of the rule.

These disagreements arise from the different requirements of a fiscal rule. To be transparent to the public, the rule should be simple and easy to monitor. To stabilize the economy, the rule should reduce medium-term debt to GDP ratios without aggravating cyclical fluctuations. To be credible, there should be safeguards to ensure that the rule will not be flouted. And to be legitimate, the rule and the safeguards must be in line with constitutional provisions.

To what extent do fiscal rules make a real difference to fiscal policy outcomes? What is the appropriate schedule for the path of fiscal consolidation? Should a fiscal rule focus on the budget ratio or the debt ratio? And how should the business cycle be taken into account?

What are appropriate safeguards against deviations from a fiscal rule? Are ex-ante restrictions on budgetary policy superior to ex-post penalties? And how should fiscal rules be enforced in states with fiscal federalism?



2. Fiscal Consolidation through Fiscal Rules?

GESolution 1

Define a long-term target for the debt-to-GDP ratio and an upper limit for the annual budget deficit to GDP ratio, depending on the business cycle, the country's existing debt-to-GDP ratio and its future growth prospects.

This consolidation rule focuses on the overall debt to GDP ratio and the annual budget deficit. Similar to the Maastricht Treaty, it suggests a limit on the overall debt to GDP ratio and defines an upper limit for the annual budget deficit to GDP ratio, determined in part by this stage of the business cycle in which the country finds itself.

An important extension would be to allow for country-specific limits, which fit with the future growth perspectives and the already accumulated debt of each country. Such a flexible rule would probably gain more acceptance among legislators, because it would take account of the economic performance of each country.

GESolution 2

Fiscal rules should be given constitutional status.

A core requirement for successful consolidation through fiscal rules is the credible commitment of legislators to follow a specific rule. But especially when an economy is in recession, legislators might be under pressure from various interest groups to suspend fiscal rules and switch to discretionary fiscal policy. The solution to maintaining the self-disciplinary effect of fiscal rules is therefore to introduce a cost of breaking fiscal rules.

If a fiscal rule has constitutional rank, it induces a huge cost in terms of political reputation on the legislators (for example, the government could be taken to the constitutional court). The suspension of fiscal rules should only be possible in times of severe crisis and even then only with a large (60%) majority in parliament, after which the base would return to the pre-suspension year budget levels.

Panelists

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3. Optimizing Information Use through the Internet and Social Media



Challenge

Unprecedented recent progress in information and communication technologies (ICTs) is enabling people and organizations to overcome personal and regional restrictions on information acquisition. The Internet and social media are particularly important for facilitating access to an unparalleled wealth of information, as well as providing opportunities for new innovative activities and social interactions.

But technological progress in itself does not automatically lead to efficient application of the tools. The challenge is how people and organizations can be motivated to apply the Internet and social media efficiently to optimize information use. Addressing this challenge will require dramatic behavioral and organizational changes throughout society, as well as improvements in the overall distribution of information supported by ICTs.

Which behavioral and organizational changes are needed to stimulate efficient and beneficial use of the Internet and social media? What drives people and organizations' resistance to change and how could resistance be tackled effectively? And how can information overload be avoided to optimize the distribution and use of relevant information among Internet users?

How can Internet users be encouraged and trained to use social media to interact with others in a socially responsible manner? How can their privacy and intellectual property rights be better protected? And what are the solutions to emerging conflicts between government regulation of the Internet—such as US initiatives for a “Stop Online Piracy Act” (SOPA) and a “Protect IP Act” (PIPA)—and Internet users' freedom of speech and rights to share information?



3. Optimizing Information Use through the Internet and Social Media

GESolution 1

Establish information rights as a fundamental prerequisite of democracy and public policy.

Governments need to recognize the critical role of open, transparent and accessible information as vital elements of modern democracy and public policy.

In developed countries, information—increasingly in the form of so-called “open data”—is an important tool for monitoring the performance of public services and holding administrations to account for their actions. In developing countries, the Internet and social media offer a platform for citizens to listen, receive and communicate information in much the same way as radio and television are already used to improve public engagement with government.

But with just one third of the global population now online, provisions must be made to include those who risk being excluded from the age of digital empowerment. Even in developed countries, there are many people who do not have access to social media or do not have the skills to leverage these powerful tools in their personal and professional lives.

Countries must make a cohesive effort not only to provide their citizens with access to the Internet but also to ensure that governments and other public authorities provide web-based learning platforms for people to learn basic skills that will optimize their online experience and their place in society.

GESolution 2

Establish a charter for individuals’ rights to information and their responsibilities for using information.

Enlightened public leaders recognize that information rights are as much a part of the rights of citizens as in such areas as privacy and human

rights. Information increasingly flows through hierarchies to empower the individual and the growth of the networked society demonstrates that peer-to-peer communication is now an essential part of knowledge-sharing in an effective democracy. Individuals' rights to information—about themselves, their representatives and their governments—should be enshrined in a charter that establishes what those rights entail.

Equally, such a charter should document individual responsibilities—to ensure that information is not misused, that privacy is respected and that intellectual property is suitably protected.

The Internet has enabled dramatic changes in citizen and consumer behavior. Those rights need to be affirmed but the need for responsible information use must also be acknowledged.

GESolution 3

Governments and enterprises should promote the coming paradigm shift away from their traditional role of controlling information to their new role of empowering people to generate, access and share information via new media.

Governments and enterprises need to adjust their organizational cultures and structures to become more active in participating in the digital world. Governments' and enterprises' active use of ICTs are expected to intensify and facilitate their interactions with people to support consensus-building procedures and to enhance the transparency and accountability of political and business decision-making processes.



3. Optimizing Information Use through the Internet and Social Media

GESolution 4

Introduce a global online “kite mark,” based on well-defined guidelines for information quality and transparency for businesses.

There are vast and growing quantities of information now available through the Internet and social media—but it is often difficult to verify the quality or veracity of much of that data. There should be ways to understand and verify the quality of information.

Similarly, there are huge differences in the terms and conditions for information use on commercial websites. It is not realistic for Internet users to read and digest pages of legalistic terms and conditions for every website with which they want to interact. Yet, many businesses include terms that are detrimental to their customers around how their information can be used, shared and exploited.

There is a growing trust issue for users of some of the most popular websites and social media services, with regular scandals about what information is being retained about those users and the way it is exploited for commercial gain. Transparency is as much of an issue for businesses as it is for governments and consumers, who expect openness and accountability from the organizations with which they interact.

A global online “kite mark” or badge system could provide online users with assurance of a website’s standard and quality. Websites that have aligned themselves to accommodate the preferences of the digital community would have a badge to indicate their transparency in handling personal data and their effective management of content and information quality. As a consequence of possessing the badge, websites would be more trusted and would be likely to receive greater volumes of traffic. Websites that did not adhere to the guidelines would miss out.

GESolution 5

Specify user-oriented global standards for online data protection and privacy.

ICTs facilitate the globalization that enables people and organizations to interact with others more easily than before, going beyond the limitations of national boundaries. As a result, people and organizations' online behavior have a much broader impact on others, which also goes beyond national boundaries. The fact that different countries still pursue their own regulatory framework for dealing with data protection and privacy issues of their own citizens may not be in line with the globalized nature of the digital world.

Data protection and privacy legislation varies greatly around the world—from countries with highly restrictive rules to those with little or no protection. It will always be important to recognize different cultural attitudes to privacy and data protection and globally agreed legislation is impractical. But it is feasible to establish a common set of minimum standards that would ensure that citizens and consumers are protected wherever they are and wherever the website they are using is located.

To avoid severe sanctions, people and organizations may prefer operational locations where the online protection regulations are the least strict. In the end, no one can be really protected by law, even if some Internet users may live in a country with a de jure better established national regulatory framework.

There are great benefits from new technologies such as cloud computing and the "Internet of things." But the development and widespread use of such technologies may be hampered by artificial barriers constructed by differences in data protection policies. By establishing global minimum standards or a global regulatory framework, every website, business, government and individual will have a basic guideline to which to adhere to engender trust and improved information use.



3. Optimizing Information Use through the Internet and Social Media

GESolution 6

Enhance people's "information competence" through all the standard education and training channels and enable them to apply the "inherent structure" of information for knowledge discovery through courses and Internet-based learning platforms.

In the era of rapid change in ICTs, people need to be able not only to keep improving their "media competence" (how to use advanced technological equipment) but also to keep enhancing their "information competence" (how to gather relevant information for dealing with personal and professional challenges).

Courses may be provided at schools, universities or online through Internet-based learning platforms that help Internet users enhance their information competence. This will help them to filter information effectively for their needs out of the vast amount of information distributed through the Internet and online fora every day.

Internet users need to be able to use not only the context and content of information but also its inherent structure to increase their efficiency in discovering and linking relevant knowledge for use. At present in the digital world, the majority of information is unstructured, which makes it difficult for Internet users to identify the inherent relations within and between different pieces of information. This hinders them from more effective use of information for solving problems.

Although Internet users may rely on search engines to obtain information, the search results depend strongly on the algorithms designed by the search providers. The relations within and between the information found are often unclear for Internet users. They need to be trained and encouraged to apply new techniques to search for and link up information based on their own requirements.

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4. Effective Investments in Education



Challenge

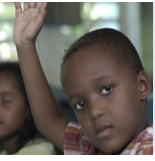
Education is a fundamental right for everyone and key to the future of any country. Education has its price everywhere—but the only thing more expensive than investing in education is not investing in education. Inadequate education produces high costs for society in terms of public spending, crime, health, and economic growth. No country can afford to leave too many of its children behind and not to help them achieve the competencies needed for a self-fulfilled life in economic independence.

But the main challenges in education differ across countries and continents. The industrialized world faces the impacts of demographic change, such as a shortage of skilled labor and ageing societies. Emerging countries need to respond to increasing demand in education. And in some parts of the world, it is still not a given that every child has the right to go to school—and, hence, a big share of the population cannot read and write.

Despite these differences, there are common challenges. For example, the “inheritance of educational status” is a global problem: people’s education achievement largely depends on their socioeconomic background and the educational status of their parents. Although some countries provide more equal opportunities than others, it remains a challenge everywhere to improve the chances of those children lost to inadequate education.

But education budgets are limited, especially in times of economic downturn. Thus, it is worth comparing countries that have decreased and augmented their education budgets during the crisis—and evaluating the consequences of these decisions. If, on the one hand, investments in education are vital and, on the other hand, budget constraints restrict the available resources, investments should be as effective as possible. The question then is: where does it make sense to invest most in education?

Researchers generally agree that investing in early education has the highest returns. As the Nobel laureate James Heckman has shown, early investments enhance equal opportunities and higher achievement at the same time. How can this be applied to education financing structures in different countries? And given the fact that early childhood education is



4. Effective Investments in Educations

often very costly for parents while school education is usually free, what should be the financial contribution that families make to the education of their children?

An alternative view of investments in education is that they should be higher where the problems are greatest: that would mean greater effort to tackle inadequate education and more money for programs for children who are lagging behind. Research shows that inadequate education is a problem for the whole of society—even the elites—and that everyone benefits from minimizing the number of low-educated people. Is it possible to invest in more quality in education? What form of qualification will produce the best teachers and pedagogues? And what mechanisms should be used to allocate resources?

Education remains one of the most important duties of any government: it is a public responsibility to provide access to high quality education for everyone. Therefore, public investments need to ensure a good educational infrastructure for lifelong learning. But can private organizations, companies and nonprofit organizations provide additional supply. Could they become substitutes or should they instead function as supplements to public institutions?

Intelligent financing concepts for education should be based on needs and specific background rather than distributing untargeted subsidies. New concepts of resource distribution require greater transparency. But what should this transparency look like? Will external accountability enhance quality or should there be more focus on capacity-building and self-assessment to improve the education system? How can financing mechanisms provide effective and sufficient investments in education even in times of crisis?

GESolution 1

Governments should invest in fair, objective and comprehensive metrics for evaluating teacher performance.

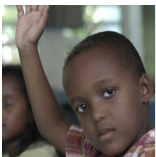
Research shows that teacher quality is the most important ingredient in student achievement. The difference in effectiveness between teachers can spell the difference between success in education and dropping out of school. But there is no simple description of what makes a good teacher or how to develop a good teacher. Thus, the most important investment is a good system of teacher performance evaluation.

The ability to evaluate teachers fairly, objectively and comprehensively is the sine qua non for (i) rewarding the best teachers (and, therefore, creating incentives that will attract talent into the profession), (ii) removing the worst teachers (which is essential for long-term incentives as well as providing all students with a fair opportunity to learn), (iii) making efficient investments in teachers' professional development, (iv) identifying mentors for younger teachers, and (v) influencing the orientation and caliber of teachers' preservice education.

Traditional measures of teacher quality, such as preservice education and training, advanced degrees and experience, are not closely related with effectiveness in the classroom. Except for improvements during the first couple of years of teaching, none of these characteristics of teachers has been shown to predict performance very well in either developed or developing countries.

Instead, effective performance evaluations should focus on the core of teaching, including classroom observations, portfolio reviews and assessments by principals and master teachers. Such a system of teacher performance evaluation that is perceived as legitimate can sharpen the performance incentives for teachers at both ends of the spectrum.

But global experience suggests that only a very few education systems have been able to put in place adequate teacher evaluation systems—



4. Effective Investments in Educations

Chile, Washington, D.C., and Singapore are among the rare examples. Both developing and implementing such metrics are very hard—technically, politically and institutionally—as well as expensive, though it might be the most highly leveraged investment that a system can make.

GESolution 2

Focus education policy on providing rewards and sanctions for achieving better performance to energize local capacity and knowledge instead of trying to improve outcomes through general regulation.

Education policy is plagued by attempts to improve outcomes through regulation, a situation that impedes improvement and frequently puts a ceiling on what outcomes are possible. These attempts invariably require treating all circumstances similarly, thus failing to recognize the importance of local demands, local knowledge and local capacity. The alternative is to provide incentives for better performance so that the abilities and energies of local people can be energized.

The fundamental idea of improved incentives is establishing rewards for those who move education towards higher achievement. These rewards would be a substitute for regulations that try to change actions by central command. Instead of telling educators how to do their jobs, incentives could focus on what they should achieve. Such an incentive system could include the following elements:

- *Accountability* is central to any incentive system. It must be clear what the outcome is before incentives are applied and this will require clear and transparent measurement of achievement (see GESolution 1).
- *Local decision-making* provides flexibility for educators to find the best way to achieve outcomes—although local decision-making without good accountability can produce perverse results.
- *Parental choice* over schools, as far as it is feasible, directly involves parents in observing school outcomes and in setting incentives for

local schools—since schools that lose students will have an incentive to improve their performance.

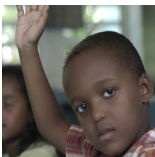
- *Direct rewards* for the performance of teachers and leaders (properly measured) ensure that educators are working to enhance performance.
- *Dismissing low performers* after failed attempts to improve their performance.

GESolution 3

Governments should focus their investments on both individual and collective capacity-building—training pedagogues to use methods of individual support and to serve as “learning coaches” to help children “learn to learn” as well as being actively involved in local environments.

Raising the quality of education starts with capacity-building. Of greatest importance for a high quality education system are excellent pedagogues in all schools and early childhood educational institutions—especially in disadvantaged neighborhoods. Pedagogues should be trained to use methods of individual support; they should serve as “learning coaches” and help the children in their care to “learn to learn” instead of just teaching only factual knowledge or even how to succeed in standardized tests.

Capacity-building starts with the individual: thus, the quality of teachers and other pedagogues is central. But individual capacity needs to be combined with collective capacity. Collective capacity has to be established among the staff of each educational institution and between all institutions in a neighborhood, district or region. Special training and strategies should help to establish real teamwork in schools and childcare centers. Educational institutions are always integrated in their environment: the surrounding neighborhood, region and country have an immense influence on children’s development and learning and also on how an insti-



4. Effective Investments in Educations

tution operates. Local conditions play an especially important role—and it would be preferable if educational institution were actively involved in their neighborhoods or districts.

Pedagogues should be trained to work with parents and local partners so that all efforts can be combined to enhance the quality of education. Different learning environments—such as cooperation with local partners, sports clubs, music schools, churches, etc.—can add to current curricula. Governments must provide resources to finance these local partnerships as well as the methods of individual and collective capacity-building.

GESolution 4

Governments should invest in embedding technology into pedagogical concepts to enable interactive learning experiences. For an effective use of technology, give teachers training and rewards, integrated in incentive systems for student performance, to be champions of such new approaches.

Information and communication technologies have dramatically redefined how people live, work, communicate and learn. It is critical to collective progress that there is a pervasive culture of innovation, not only in schools, colleges and universities but also within and across communities of students and educators. This requires innovative classroom and infrastructure solutions.

Technology means much more than “closing the digital divide” by equipping classrooms with computers and providing Internet access for all students. It is primarily about how well technology is applied and embedded into pedagogical concepts to enable interactive learning experiences. Technology is a critical enabler to transform education aligned with new pedagogical frameworks. Schools need to change the way they teach to reflect the fact that they are dealing with students who are interacting with digital technologies from an early age. Teachers should embrace these

new realities and redefine their role—from content provider and instructor to facilitator, coach, and adviser.

There needs to be a new openness to collaboration across classrooms, institutions and countries to spread ideas, accelerate innovations and reengineer existing solutions. Therefore, environments should be created where teachers and students work together as active learners in experimental teaching settings.

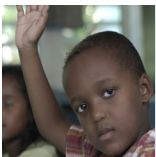
Personal learning approaches, teacher professional learning and collaboration should play a critical role to ensure new pedagogies and technologies are well designed and implemented. Leaders in education should be recognized and supported as champions of new approaches through incentive programs. All of this should go hand in hand with targeted investments in research in such areas as teaching with technology and pedagogical integration of information technology.

Teachers and leaders must see rewards for effectively using technology. Introduction of technology is best accomplished by integrating it in accountability and incentive systems for better student performance (GESolution 2). Moreover, a portion of the budget for new technology should be reserved for both training of teachers and for compensation to teachers and leaders who participate not only in the development but also the introduction of new technology.

GESolution 5

Use technological innovations to individualize public education cost-effectively.

The embedded use of technology in education can lead to a significant increase in learning outcomes and an increased return on investment. At present, classrooms tend to have teachers spending 80% of their time on reciting standard knowledge and only 20% on individualized support for students—this proportion needs to be reversed, so that diverging individual needs based on different learning styles, aptitudes and personal



4. Effective Investments in Educations

backgrounds can be effectively addressed. Such an approach would not only support each child individually and foster his or her personal interests and competencies, but also use scarce resources much better, thus making public education more cost-efficient.

By using innovation in technology, governments should strive to make knowledge accessible everywhere as well as offering individualizing learning. Standard knowledge can perhaps be better taught, for example, by high quality video clips of champions rather than by an average teacher around the block. One-size-fits-all textbooks should be replaced with individualized learning concepts facilitated by mobile devices like tablets to allow a learner to access information wherever and whenever.

The same simultaneous test for everybody is worse than an interactive test at the right level at the right time, as it can be carried out on the tablet. Feedback to students about their learning progress should be instant, not weeks or months later after a final exam. In such a model, a teacher becomes more of a learning companion and students can learn more effectively by themselves, even if no good teachers are accessible.

Such a transformation of the use of technology in education requires a comprehensive cost-benefit analysis, ensuring that the most promising innovations can be scaled up for the benefit of as many learners as possible. It is clear that innovative approaches only work with strict accountability and transparency. Only this can be the basis for education decision-makers to align their investments to experimental teaching approaches that systematically recognize student diversity and individuality.

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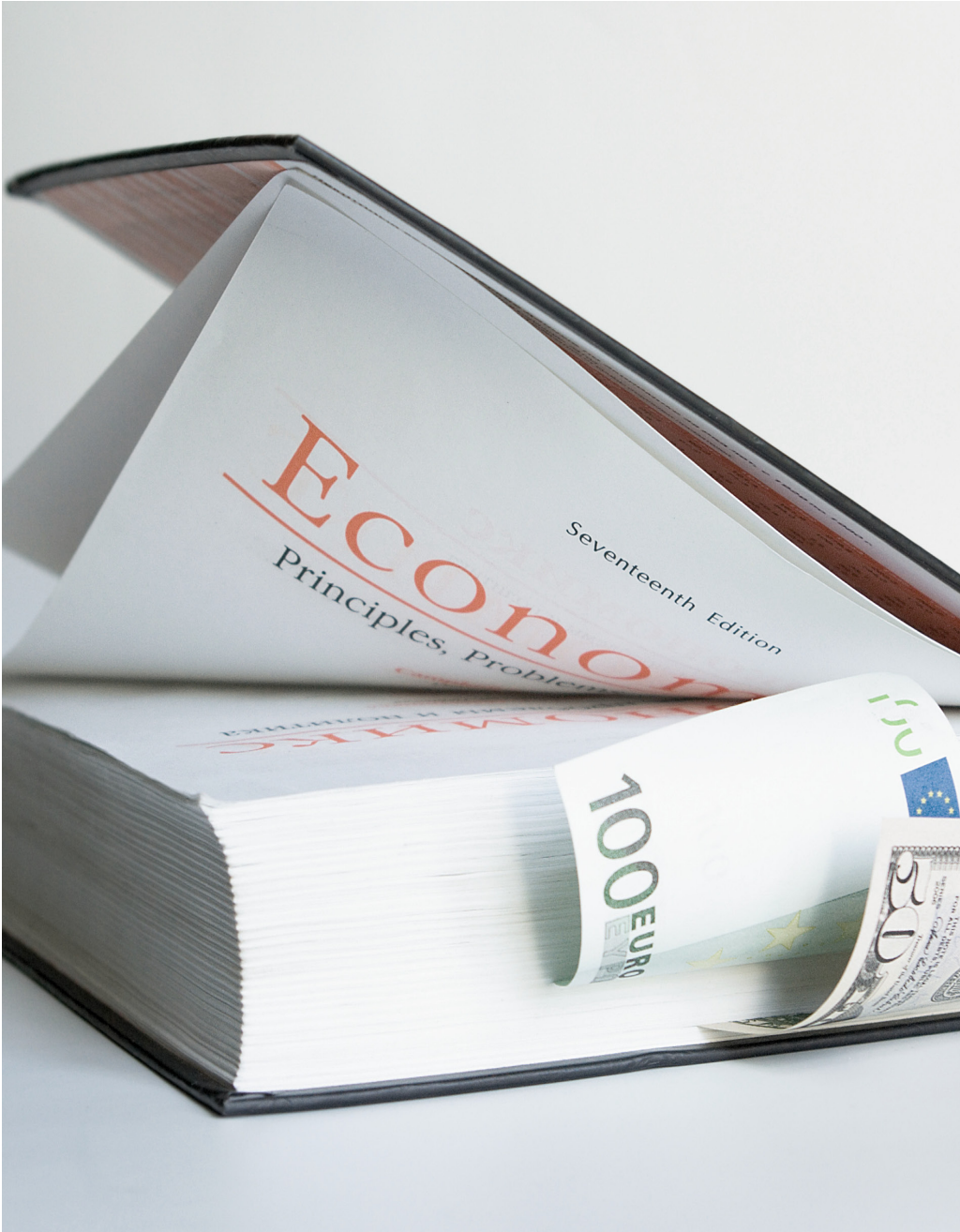
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5. Improving Financial Education and Literacy



Challenge

As governments face increasing debt burdens and companies too face significant cost burdens, there is a clear movement towards individual responsibility for financial planning for retirement. This movement is happening at precisely the time that individuals themselves are feeling more insecure about the future in the face of declining job security and the increased reluctance of financial institutions to provide credit.

People face bewildering challenges in navigating the complex landscape of financial products and providers to reach the most efficient solutions for their retirement needs. Of course, there are intermediaries that could in principle help them, but in practice these intermediaries are more often than not riddled with conflicts of interest and high charges.

At the core of this issue is the need to increase individual capability to make financial decisions. As long as people have relatively low levels of financial education and literacy, they will be prey to problems with either high charges or inappropriate products.

But efforts to increase financial literacy have proven elusive. When financial education sessions are provided by industry, it is closely connected with the sales process, which is not well trusted by consumers. And when they are provided by government, subsequent application in the real world often proves difficult.

What are new solutions for improving financial education and financial literacy? How can social and other new media be used? What new approaches for regulation and supervision to improve performance should be adopted?



5. Improving Financial Education and Literacy

GESolution 1

Link mandatory financial education, counseling and disclosure to the point of sale.

The crux of this solution is to make dramatic improvements in financial education at the point of sale where individuals are making tangible decisions. For example, this might involve linking employees' choice of financial benefit to mandatory employee education so that education leads to immediate implementation.

In addition, mandatory counseling by certified counselors should be required prior to the purchase of subsidized financial products. For complex products such as mortgages, annuities or mutual funds, mandatory disclosure of critical financial information at the point of sale should be improved.

Another possibility is to allow and encourage banks that offer educational programs on how to save (often during "America Saves" week in the United States) to open accounts immediately for attendees who have been both educated and motivated to do so. Currently, in the United States at least, this action is discouraged as being "self-serving" by regulators who award Community Reinvestment Act credit to banks who educate but do not use that education to allow consumers to implement what they have learned.

GESolution 2

Promote financial and entrepreneurship education combined with business idea competitions and start-up funding for young people.

Solving the problem of financial literacy demands looking more broadly at business literacy. For example, the Hope "Business in a Box" project encourages young people aged 8 to 18 to start small businesses, funded and initiated with capital levels between US\$50 and US\$500. It

is presently operational in more than 3,500 schools in South Africa and the United States, with success tracked by the Gallup-HOPE index measurement instrument. More details are at <http://www.operationhope.org/business-in-a-box>.

GESolution 3

Develop minimum standards for financial education covering savings, credit, investment, and financial fraud.

Financial education needs to be reinvented to incorporate broad training on savings, credit, investment and financial fraud. Minimum standards will help to set basic expectations and provide a means for broad implementation by governments, employers and financial institutions.

GESolution 4

Adopt group counseling for social networks to improve credit scores.

Social networks play an important role in diffusing good practice. For example, Project HOPE (<http://www.operationhope.org>) has developed the 700 Credit Score Communities program, which allows participants to join a community of like-minded individuals. They take part in one-on-one and group credit counseling sessions to improve their credit scores by applying knowledge gained from financial education.

GESolution 5

Make visualizations central to the acquisition of financial literacy.

Reading materials whether online or in print can often be tedious. People typically find pictures and videos more captivating than textbook



5. Improving Financial Education and Literacy

style teaching. New age financial literacy programs use videos and storytelling to tell a more personalized story.

GESolution 6

Use educational games to impart financial education and network effects to spread the knowledge.

Games such as Countdown to Retirement, Financial Football, Financial Soccer, Money Metropolis, and Ed's Bank are increasingly being used to teach people about basic financial concepts. Network effects can spread this financial literacy since people are usually influenced by their peer groups. Financial literacy materials are likely to have a larger positive impact when they are distributed to peer groups located closer together than more loosely connected peer groups.

GESolution 7

Add a government-approved, simple “plain vanilla product” for each product category.

Financial product choices have proliferated, with complex options that very few nonprofessionals are capable of understanding, contributing to the costly financial “mistakes” that many consumers have made. One simple way of reducing these mistakes is to allow financial service providers to offer a “plain vanilla” option for each product category which would be extremely straightforward, easy to understand, and guaranteed by the government to contain no “harmful” clauses.

If providers offered such a product that met government specifications, it would be approved as an acceptable plain vanilla product that less knowledgeable consumers could choose with confidence. This would not preclude consumers who are more knowledgeable or sophisticated from choosing more complex products that better met their needs.

GESolution 8

Use smartphone technology to help consumers make better choices at point of sale.

Smartphones are powerful computers with visual recognition capacity, access to Internet data bases and instantaneous capability to utilize models to make optimal decisions. Consumers with smartphones who have been led to point of sale by agents for sellers can scan the product code with their smartphones which will access all relevant data bases concerning the legitimacy of the seller, the relative costs of the product, the product's attributes and the match with the (preentered) needs of the consumer. Almost immediately, the consumer can be given a red light (stay away), a green light (product is acceptable) or a yellow light (consider carefully and look at other products).

Qualifications

The proposals above should be evaluated rigorously with control groups.



5. Improving Financial Education and Literacy

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6. Redefining Universities



Challenge

There are two big trends in higher education: “individualization” and “massification.” The former is important mainly in developed countries whereas the latter takes place mainly in developing countries. Yet distinctions between the systems of developed and developing countries cannot be sharply drawn: on the one hand, outstanding students from developing countries want individualized education; and on the other hand, aspiring students from developed countries want good value for money (which means massification).

Three important factors influence and interact with these two trends. The first is changing technology, which may be able to foster both individualization and massification, for example, via e-learning. The second is the changing needs of societies, economies and labor markets, to which universities have to adapt their strategies. And the third is widening participation.

The one-dimensional aim of being a globally outstanding research university reveals thought patterns based on traditional academic formats. Most people acknowledge that there are a few “real Ivy League universities,” some “partial Ivy League universities” and many “wannabe Ivy League universities.” Yet most universities around the world still strive for the same goal: to be a globally well-known research institution, creating an inviting atmosphere on campus and thus attracting the best students and researchers—in sum, to be like an Ivy League university.

Universities are usually differentiated vertically, for example, through a static league table measuring the total quality of all universities. But differentiation should also be made horizontally through multidimensional league tables based on different criteria—for example, putting a new orientation into practice or cultivating a specific profile through focusing on certain disciplines, teaching modes or specific target groups. Yet the media still take a one-dimensional approach to defining excellence in higher education.

Widening participation is changing not only the profiles and organization of universities but also the whole idea of higher education. It may be time



6. Redefining Universities

to redefine what constitutes a university. For example, in Germany, universities not run by the state have to verify that they are capable of providing teaching and research that meet certain established standards. Yet counting square meters of lecture rooms and specifying libraries' inventories are inadequate for assessing a higher education institution that might be organized through social networks.

If regulation assumes that the lower limits of higher education can be defined, where is the line beyond which an institution cannot be attributed to the higher education sector? Will innovative new institutions respond to demand more adequately than established universities or will existing universities reinvent themselves successfully?

In the absence of government regulation, a great variety of university profiles is emerging, notably in the United States. Is it the government's responsibility to ensure that there is a well-balanced landscape of universities—one that both provides academic excellence and meets society's demands of the sector—or can this be done more effectively by “free” markets? Can diversity be imposed by government? And if free markets are the solution and different kinds of excellence have to gain acceptance in the academic environment, the labor market and wider society, how can multidimensional transparency be achieved?

GESolution 1

Governments and other funding agencies need to build an evidence base on how online or blended learning and modularization affects learning, progression and drop-out rates.

The world is moving from the traditional learning model to something that is at least partly digitized, scaled up and delivered at a distance. But there is very little empirical evidence on the broader policy implications of this development.

There is a need for intensive research on many questions: how do online, distance and blended learning relate to particular subject areas (comput-

ing versus the liberal arts, for example) and types of students (working adults versus school-leavers)? What support mechanisms do students need to be able to put together suitable modules to make their own customized courses of learning, raise their employability and stay motivated over the course of their studies? What role can be played by corporate partners through mentoring, self-assessment systems or peer group support via social networks? Furthermore, what is the impact on learning outcomes of online and blended learning offerings?

GESolution 2

Governments, higher-education institutions and scholarship providers need to experiment with new funding models for higher education to give access to quality education to students who can pay little or nothing—for example, by charging for certification, examination processing, learning support or online internships, rather than for content and its delivery.

What used to be expensive in higher education was content and delivery. Using technology and open educational resources now makes it possible to deliver much content at very low cost or even free. This means that much of higher education can be scaled up to a far greater degree than before. An example of scaling higher education, while retaining small class sizes, is a tuition-free model in which there is no charge for tuition, and only an examination processing fee at the end of each course—one nonprofit university has already deployed this structure.

At present, classrooms tend to have teachers spending 80% of their time on reciting standard knowledge and only 20% on individualized support for students. This proportion needs to be reversed, so that higher education can be scaled up cost-effectively and scarce resources used much better. In economic terms, this means that the value added of higher education (and the charges) may move from content and its delivery to certification, learning support or individual matching with labor market demand. There



6. Redefining Universities

is great potential for innovative models that make higher education available to students who previously would never have been able to afford it.

Many MOOCs (“massive open online course”) are currently provided completely free, with the hope that it will ultimately make money for the institution by putting Silicon Valley companies in touch with the very top scorers in the end-of-course test.

The glut of PhDs who are unlikely ever to get tenure could be better (more cost-effectively and more personally satisfying) employed as learning guides alongside online modularized courses, rather than finding themselves running from institution to institution delivering and marking “101” courses.

Students already create a great deal of the value in traditional models of education, via peer support and classroom interaction. This could be made explicit, for example, by charging less or nothing for students who are valuable contributors in online discussion forums.

Governments, companies or nonprofits could consider committing to buying block access for large groups to online courses that reach predefined standards of quality and usefulness, thus spurring innovation. (Similar ideas for vaccines and new treatments for diseases that predominantly affect people in poor countries have gained widespread support.) An education credit system much like the carbon credit system could be created, whereby the governments will place greater, tradable value on online education resources, which because of few capacity constraints are not valued sufficiently and, therefore, not marketed effectively. By creating artificial scarcity and tradable value, global online learning platforms will be more meaningful for students and for institutions.

Bridging the academia-industry gap at a massive scale could be achieved through online internships as not all students have the ability to get an internship opportunity and not all companies are willing to hire interns but the same companies may be willing to support online internship programs.

But ways must be found to ensure that students who are paying nothing (the most that many of those wanting higher education can afford) still value their education and invest emotionally in it. There is a danger that “free” can mean “worthless.” It is vital to ensure that such students still have “skin in the game.”

GESolution 3

Governments should develop standardized certification of student learning outcomes at the individual course level, thus ensuring transferability and transparency of courses and modules on a global scale.

The obvious goal in times of globalized learning and working is “stack-up degrees,” which allow students to collect credits from different institutions and customize their own learning. Much accreditation is already carried out by the labor market—valuable courses are rewarded by better jobs. Other qualifications (for example, law or engineering) are certified by learned and professional societies. Much, perhaps most, third-level education is now undertaken for professional purposes—either to become more employable or to gain the skills to set up in business. Consequently, all these actors must play a role in making sure that suitable methods are found for accrediting learning—and ensuring that what is being accredited is actually valuable and transferable to other learning environments.

This implies a need for greater transparency both for students and employers at the most modular level possible on learning aims, pass rates and potential destinations (progression to other courses, institutions or jobs). Such trustworthy ways for learners to signal learning outcomes at all levels will also avoid wasteful “credentialing”—taking courses solely to be able to prove what they already know—and, at the same time, ensure that employability skills are not disregarded. Reaching these goals of “unbundling education” demands a joint effort to build up regional or international accreditation agencies.



6. Redefining Universities

GESolution 4

Refocus institutional accreditation on criteria that really matter: efficient quality control and appropriate learning outcomes.

Governments have a strong lever in promoting change in higher education: they decide which institutions can award degrees. At present, accreditation is often focused on outmoded signals of institutional quality—floor area, number of library books and the like.

There is no doubt that governments should set lower limits on what counts as “higher education”—not least to protect students from “wrong” and unprofitable educational investments. But the core question in redefining universities is whether a higher education institution serves the essential purpose of a university: that it follows a consistent educational strategy with coherent curricula and appropriate quality assurance mechanisms to deliver successful predefined learning outcomes. Accreditation procedures should insist on this basic and quality-defining criterion—but do no more than this.

GESolution 5

Governments should stimulate institutional diversity and make excellence beyond research visible, for example, through multidimensional rankings.

The relevance and excellence of universities are not only determined by their research output: they have to be understood and assessed multidimensionally. Universities have to define their institutional profiles clearly to satisfy different needs. A university should be successful not only in research but also in regional development, teaching, continuing education and/or by focusing on a very specific teaching mode or target group.

Policy-makers should appreciate different kinds of excellence in universities. Overcoming the deep-rooted reputation-seeking “academic drift”

towards a first class research institution urgently requires suitable incentive systems, for example, substantial initiatives in teaching or university–industry cooperation and correspondingly flexible funding schemes.

Not the very least, institutional diversity can be stimulated by multidimensional rankings based on diverse criteria (for example, teaching and learning, research, knowledge transfer, international orientation, regional engagement, social responsibility, etc.). This kind of horizontal differentiation makes various profiles visible but still allows for vertical performance differentiation within a certain type of higher education institutions.



6. Redefining Universities

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1. Designing Intelligent Labor Migration Policies



Challenge

While the world economy continues to become more global, international labor mobility remains severely restricted for all but those with rare or high skills. Many people in developing countries would like to emigrate legally to work abroad but they do not qualify for admission to destination countries. This is because policy-makers typically focus on the net national economic impact when considering reforms of their labor migration policies and they naturally respond to public opinion about that impact.

Yet, the economic and social impacts of migration are not singularly national but global. Studies of the national economic impact of migration tend to find that immigration has only small overall effects on the labor-market outcomes of natives and the public finances of destination countries. A global balance sheet of migration would have to add the economic and social impacts on the source countries and on the migrants themselves—and include such considerations as migrants' income gains, the contributions of remittances to development, “brain waste,” effects on social cohesion and the human costs of trafficking and smuggling.

A global balance sheet could guide internationally efficient migration policies. Yet, even globally efficient migration policies must be implemented by nationally elected politicians. So the challenge is to design migration policies that are both globally efficient and politically feasible to implement.

Previous GES sessions have suggested fostering the integration of immigrants and concluding bilateral migration agreements between source and destination countries. Such policies might also be viable tools in the search for globally efficient migration policies.

Could a special tax on migrants, one of the main beneficiaries of migration, help in creating political support for less restrictive and more efficient migration policies? This might be an alternative to a straightforward transfer of income from migrants (those who gain) to low-skilled natives (those who may lose), which is probably not feasible in existing welfare systems.



1. Designing Intelligent Labor Migration Policies

Could fostering temporary or circular migration help reap the benefits of international labor mobility and, at the same time, alleviate opposition to migration in destination countries? Could integration policies, such as language courses, alleviate (perceived) negative effects of immigration on natives and thus create support for less restrictive migration policies?

Could more public information on the benefits of immigration for migrants themselves (and for source and destination countries) pave the way for less restrictive immigration policies? How could a constructive debate about migration be initiated, one that balances the needs of both the source and destination countries and the desires of migrants? And how can national debates and migration policies become more sensitive to the negative consequences of barriers to those who are determined to migrate?

How could noneconomic barriers to mobility, such as xenophobia and antiimmigrant sentiment, be overcome? And what narrative can be built and what kind of a balance sheet used to conceive a migration policy that has “triple-win” outcomes for source countries, destination countries, and migrants?

GESolution 1

Establish multientry sectoral work permits for labor migrants in destination countries.

Multientry work visas would allow for the departure and reentry of workers over several years without the need for reapplication. This would enhance labor mobility by allowing workers to circulate between their source and destination countries in pursuit of the best work opportunities. Labor migrants often get “locked into” a destination country because they do not want to risk losing their work and residence permits.

Employers would also benefit from increased certainty when predicting their human resource needs, as well as decreased administrative burdens. The work permits would not be restricted to one employer but to

all employers within a sector (for example, agriculture, tourism, fishing or construction) to ensure that labor market needs continue to be met, especially in low and mid-level skill sectors. Sectoral work permits would also help to protect migrants against exploitation because they would no longer be tied to a single employer.

In industries with seasonal and cyclical fluctuations in labor market demand (such as agriculture and construction), this flexibility would also allow workers to move from one employer to another depending on when work is available, maximizing earnings for workers and decreasing their “down time.” If there were concerns that migrants might stay permanently in the destination country, limits could be placed on their ability to stay beyond the period of time allotted in the work permit (for example, individual workers could be granted a one-time, five-year cumulative work permit).

GESolution 2

Create a pilot project for “global training scholarships,” matching employers in destination countries with trainees in source countries.

The pilot project would match employers, such as hospitals, in destination countries with trainees, such as nurses, in source countries. Employers would benefit from finding suitable employees and lowering their training costs, while workers would benefit from more widely available funding for vocational degrees or other training.

Internationally accredited programs for nurses in source countries and hospitals in destination countries could be matched. Wage differentials between the countries would make it plausible that trainees from such a program could pay back the grant that the employers advanced them to fund their studies within one or two years.



1. Designing Intelligent Labor Migration Policies

Such a pilot project would not promote brain drain. Indeed, it would expand the brain pool by allowing trainees to finance their education, something they would have been unable to do in absence of the pilot project.

GESolution 3

Create a rigorous skills forecast for key talent hubs around the globe.

Too little is known about which skills shortages will emerge when and where. An early warning system should be developed to detect such skills shortages and extend the skills pipeline.

GESolution 4

Establish certification of recruiting agencies to weed out lawless and unethical recruiting agencies.

Recruiting agencies are key players in moving brains and muscles around the globe. Yet, many such agencies do not follow the rule of law and many of them foster exploitation and human trafficking. A method needs to be developed to certify recruiting agencies and to put those who do not follow the rule of law out of business. An estimated 40% of trafficking into forced labor is done by recruitment agencies.

GESolution 5

Research the conditions that create magnets and amplifiers for talent.

Some countries are attractive to brains while others lose brains. New metrics should be developed that provide transparency and a way of

empowering countries with less experience in the battle for brains to compete for international talent—that is, to participate in the “brain game.”

Background

Temporary migration programs

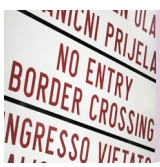
One of the criticisms of labor migration programs is that many of them focus on higher-skill occupations or “talent mobility” but largely overlook shortages in lower-skilled occupations. The assumption is that job vacancies requiring lower levels of formal education or on-the-job training can be readily filled by local residents who simply need to be mobilized or encouraged to accept the positions.

But this is not necessarily true as there are a multitude of factors that affect every jobseeker’s willingness to accept lower-skilled work, particularly in G20 countries. Indeed, the terminology of “low-skilled work” itself devalues the contributions made by workers in these sectors and occupations and the skills that are required to work effectively in them. Many of the skills are by no means universal, including attention to detail, client service, physical strength, and dexterity.

Furthermore, there is a perception that lower-skilled migrants might be a potential burden on the social programs of destination countries because if they become unemployed due to layoffs or a breakdown in the employer–employee relationship, they have fewer financial resources.

For these and other reasons, when considering lower-skilled labor migration, the preference has traditionally been to make these programs temporary or circular and to ensure repatriation once the labor market need is no longer apparent.

But certain sectors and occupations seem to have systemic labor market shortages, which calls into question whether or not the need is truly “temporary” in nature. These shortages are particularly pronounced in seasonal occupations (such as agriculture, tourism and fishing) but also



1. Designing Intelligent Labor Migration Policies

in nonseasonal and cyclical sectors (such as construction) and sectors dominated by women (such as domestic work).

There are a number of reasons why the national labor force may not be able to meet labor demand in these sectors. These include low levels of unemployment, opportunities in higher-paying occupations, preferences for full-time, year-round work over seasonal work and “overskilled” nationals who no longer wish to work in lower-skilled occupations.

The result is a paradox where employers have cyclical or long-term labor market needs for lower-skilled workers but migrant workers have reduced access to permanency because current policies fail to recognize the systemic nature of these labor-market gaps. This can result in a situation where migrants find themselves “permanently temporary,” in the sense that they work in the same occupation, sometimes even for the same employer, year after year but without many of the rights afforded permanent labor migrants.

Critics of these programs argue that they increase worker vulnerability to employment-related abuse and exploitation because there is usually no “right of return” or seniority, which makes workers more dependent on their employers. In addition, although the workers are semi-permanent members of the host communities, their temporary status often makes them ineligible to participate in integration programs designed for permanent residents.

In the host countries, employers complain of the increased administrative burden and cost associated with having to reapply for work permits for workers and/or demonstrate their need for foreign labor year after year. This may result in reduced capacity for human resource planning because the employers cannot rely on a continued relationship with their trained and experienced workers.

Global training scholarships

Rich countries facing a shortage of skilled workers should partner with technical schools in neighboring developing countries to foster a mutually

beneficial exchange of skills and opportunities at no cost to the source countries.

In the narrative of “brain drain,” rich countries are said to rob the developing world of talent trained with their limited resources. Perhaps the most-widely discussed skill flow from poor to rich countries is the migration of health-care workers, who are in high demand all over the world. Malawi and other source countries invest in training nurses, many of whom then migrate to the United Kingdom and other destination countries. Malawi is seen to lose valuable human capital, receiving nothing in return.

This simple narrative does not capture the full effects of emigration on the source country. Professional opportunities for migrants are valuable and creating those opportunities is part of the reason for higher education everywhere. The opportunity to migrate raises the value of skills, raising the demand for nurse training. In principle, if this reaction is sufficiently large, the number of professionals in the source country could rise, net of departures.

Many migrant health-care workers return ideas, money and service to their home countries. Yet, they face hostile migration policies in both destination and source countries and receive little to no support from international agencies and the development community. At the heart of this resistance is the idea that this skill flow represents an illegitimate transfer from poor to rich countries.

To address this concern in the context of a global shortage of nurses, popular destination countries, such as France, the United Kingdom and the United States, should partner with countries in neighboring regions to finance ex ante the training of health-care workers in source countries and guarantee them employment on graduation. The source country’s investments will then supplement foreign financing and expand capacity for training health-care workers. This increase in capacity and funding will expand the pool of health-care workers, for example, to those who would not otherwise be able to afford the training fees.

NO ENTRY
BORDER CROSSING
INGRESSO VIETATO

1. Designing Intelligent Labor Migration Policies

Finally and perhaps most important for policy-makers in source countries, the emigration of workers would not cost their taxpayers. The financing costs are a fraction of the value of the worker and program costs would be minimal in relation to the foreign aid budget. For example, it costs around US\$10,000 to train a nurse in Malawi, while the average starting salary for a professional nurse in the United Kingdom is US\$51,504 per year.

It should be noted that this is not a proposal for ex-post compensation of training costs for prior emigrants but for ex-ante financing of emigrants' training. Ex-post compensation is fraught with difficulties—including monitoring the expenditure of the money and estimating "costs" occasioned by those who migrate after years of work.

Some existing programs come close to such a financing model. AusAID (the Australian aid agency) partners with technical schools in the Pacific islands of Vanuatu and Papua New Guinea to train semi-skilled workers in a range of occupations required in the Pacific Islands Forum—a group of countries that includes Australia and New Zealand. They provide scholarships and courses but use existing infrastructure in the source country—so there are no large upfront capital costs.

The Japan–Indonesia Economic Partnership Agreement (JIEPA) has a similar scheme for training nurses from Indonesia to work in Japan. Nurses from Indonesia are given three- or four-year visas to work in Japan on completing Japanese language courses and passing certification exams. After signing the bilateral agreement in 2008, Japan aimed to recruit 400 nurses in two years.

Both these programs are in their early stages and have run into difficulties. So far the Australia Pacific Technical College has only managed to place about 2% of its graduates in positions abroad. The JIEPA has also fallen short of its recruitment targets due to logistical issues in implementing the new program. Judging from the early experiences, these initiatives require coordination between multiple actors within the state to succeed.

The aid agency must, first, work with immigration to ensure that graduates qualify for entry; second, ensure that the training leads to certification

that will be recognized widely; and third, align the scholarships with the recruiting requirements of the industry. For now, as a result of viewing migration, health-care worker shortages and development as separate issues, policy-makers in the developed world are missing this golden opportunity for a “triple-win.”

This model can be adapted to partnerships between Europe and Africa, between the United States and the Caribbean and between Japan and the East Asia/Pacific region. For example, the European Commission estimates a shortage of roughly 500,000 nurses by the year 2020 to address the needs of an ageing population.

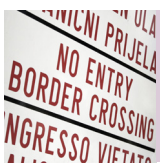
The health-care needs of Europe, North America and Japan cannot be met by local human resources alone. Bilateral agreements for ex-ante finance of technical training in source countries would be a step towards addressing this widening gap in a manner that shifts the balance sheet towards greater gains from migration for all parties.

Collaboration on talent mobility practices

At the core of good talent mobility practices is collaboration. Whether at the organizational level, within an industry or region or across multiple stakeholders worldwide, collaboration enables stakeholders to grapple effectively with talent market challenges so as to enhance growth. Indeed, collective action may be the only way to change labor market outcomes significantly. Moreover, the broader the collaboration, the greater is likely to be its impact on global economic growth.

While the benefits are clear, collaboration itself is complex and difficult to implement. Convincing stakeholders to consider goals greater than their own immediate ones takes diplomacy and persuasion. Critical to success is the development of a “collaborative mindset”—prepared to think broadly, comfortable with complexity and able to understand and find common ground with the goals of other stakeholders.

With the right mindset in place, successful collaboration on talent mobility practices also requires building strength and facility by, first, developing a clear, common understanding of the problem, as well as a fact-based



1. Designing Intelligent Labor Migration Policies

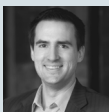
case for multiple stakeholder collaboration; second, establishing aligned incentives for participation and action; third, instituting strong governance, which spells out who will lead the effort and what information is to be shared among participants; fourth, obtaining the right workforce and performance data on which to base the practice and using measurement and modeling tools to estimate the business impact of talent mobility; and fifth, continuously assessing progress and results to ensure proof of concept.

In Quebec, for example, efforts are focused on attracting foreign talent and, more importantly, integrating migrants successfully into the labor market. As a result, foreign students graduating from Quebec's educational institutions are encouraged by the government to stay in the province through a simplified immigration program. The Quebec–France Agreement on Mutual Recognition of Professional Qualifications facilitates, among other things, integrating skilled workers wishing to practice their profession or trade in Quebec, thereby lessening the negative economic impact of the declining and ageing workforce and encouraging greater movement of skilled workers to the province.

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1. Designing Intelligent Labor Migration Policies

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2. Tackling Inequality of Opportunities



Challenge

Inequality has increased substantially in many countries in recent decades. Spectacular gains in the incomes and wealth of the richest fraction of the population often contrast with severe poverty in the same country. Inequality of outcomes often goes hand in hand with inequality of opportunities, as poor people endure various forms of social exclusion, including unequal access to education and health care, high rates of youth unemployment or precarious work and an absence of social recognition.

Without adequate structures for upward social mobility, poor people remain trapped and feel increasingly alienated from their affluent fellow citizens. The more extreme that inequalities become and the longer they are allowed to persist, the greater the threat not only to social cohesion but also to political and democratic structures. Populist, nationalist and protectionist sentiments are more likely when people feel deprived of future prospects and life chances.

The legitimacy and stability of any political community depends decisively on the provision of equal opportunities. How can the tax system be used to reduce inequality of opportunities, for example, through taxes on wealth, inheritances and consumption? And how should national redistribution systems in a global economy be designed to prevent the rich from “free-riding” the systems and to avoid a “race-to-the-bottom” between countries?

What type of education system could best enable poor people to participate in society? How might a more “prosocial” attitude be strengthened in individualistic societies, given that any redistribution policy requires a sense of solidarity and mutual responsibility among citizens? And which actors and institutions are required to promote such values among the “winners” from economic growth and globalization?

How could specific business models—such as profit-sharing or employee-owned or cooperative organizational forms—generate more equality? How should companies set up their recruiting systems and hierarchies to reward talent and effort rather than family background? And do develop-



2. Tackling Inequality of Opportunities

ing countries require different strategies and a different sequencing of reforms and policy measures than developed countries?

GESolution 1

Add quality targets to quantity targets in education and provide access to high-quality education through education vouchers for poor children and free choice of institution.

Providing high-quality education to all children at all ages is central to solving the problem of inequality of opportunities. But current education policies are mostly focused on quantity targets (such as average years of schooling or entry rates to universities) rather than quality targets. But children from poor families not only suffer from insufficient school enrolment but also from difficulties in accessing high-quality institutions.

Governments should give higher priority to the quality of educational institutions. This requires a coherent measurement framework of educational quality that is aligned with a country's level of development. Based on these quality assessments, governments should channel their funds into education models that prove particularly successful. This may imply a shift towards private provision of schooling.

Moreover, governments should enable all children to access high-quality education. This may be achieved by providing education vouchers to children from poor families and by allowing free parental choice of educational institution for their children.

GESolution 2

Fund social projects through Social Impact Bonds (SIBs).

It is still an open question how far policies aimed at improving opportunities for poor people can actually yield cost savings or revenue increases for governments and how the latter could be monetized via enforceable

contracts, within reasonable timeframes and risk levels. But if these information uncertainties and operational challenges could be met, it will be possible to issue social impact bonds (SIBs) to finance such social investment policies.

So-called social impact bonds (SIBs) or “pay for success” financing approaches, aim to attract private investors to raise funds for social investments, in particular programs for early childhood care and education, without charging the target groups and without burdening households. They are contracts with the public sector in which a commitment is made to pay for improved social outcomes that result in public sector savings. Private investors cover the upfront costs and assume the performance risk. Repayment to investors is contingent upon achieving the desired social outcomes.

SIBs could reap three different types of returns: (i) the economic return of improvement in school readiness with all its implications for the life success of SIB scholars cumulating in aggregate growth and job creation; (ii) the financial return in form of the reductions in health expenses and special education costs; (iii) a societal return through the involvement of local and national business-leaders and philanthropic institutions into comprehensive and benevolent coalitions that know what works and does not work in early child development and education.

GESolution 3

Publicly-funded early childhood programs should complement family and social policies that provide support for disadvantaged families.

A multidimensional approach to tackling inequalities of opportunities needs to be adopted. One-dimensional policies directed exclusively at improving the education of disadvantaged children are often ineffective at reducing inequality of opportunities. For example, better schools are of little use if the pupils remain sick and underfed. Therefore, governments should adopt more holistic approaches. Public early childhood programs



2. Tackling Inequality of Opportunities

should complement family support, health care and education right from the start.

In addition, people in structurally weak neighborhoods often lack role models. Helping disadvantaged people step out of their inequality trap requires increasing their aspirations and teaching them how they can practically improve their living conditions, for example, through health, housing or education.

Background

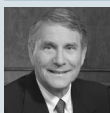
Social policies aimed at improving opportunities for poor people could benefit greatly from combining the efforts of multiple stakeholders, including the private sector and nonprofit organizations. In particular, governments should cooperate with nonprofit organizations and encourage civic engagement and volunteer work. As an important side effect, widespread volunteering can help to increase the sense of solidarity and mutual responsibility within societies.

The target groups themselves have to be involved in the design of social policies from the beginning so as to align such policies more effectively with their actual needs. For this purpose, participation procedures should be institutionalized. This may also help to strengthen people's sense of citizenship and self-determination.

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3. Mental Training towards a Caring Economy



Challenge

Complex problems, such as climate change or irresponsible deployment of resources, are difficult to resolve without global participation of cooperating partners. To date, these problems have been mainly tackled through top-down approaches where governments and international institutions take the role of decision-makers.

There is scope for more involvement at the individual level: personal growth could be used to drive global change in a bottom-up approach. But two factors stand in the way of such involvement: first, departure from community-based living and increasingly self-centered individual attitudes; and second, busy and stressful lifestyles that further aggravate such egocentric tendencies.

Recent developments in affective, social and contemplative neurosciences show that empathy, compassion, a sense of fairness and other “social emotions” required for more “other-focused” perceptions of the world can be trained in a way similar to physical or mental skills. While the importance of fitness and mental faculties for economic performance is widely recognized, the value of “social and emotional intelligence” is still underappreciated. This is despite growing evidence that appropriate training is effective in changing brain functions to stimulate moral consciousness, personal responsibility, cooperation and “prosocial” behavior.

How can prosocial behavior be stimulated? What extrinsic incentives for prosocial behavior could be developed without crowding out intrinsic motivation? And how can intrinsic motivation for socially beneficial actions be intensified?



3. Mental Training towards a Caring Economy

GESolution 1

Make mental training facilities widely available in educational institutions and the workplace, to improve physical and mental health.

For centuries, western society has recognized the benefit of maintaining physical health necessary for a productive society. Thus, big firms, hotels and schools have introduced sport and fitness facilities within their own buildings around the globe.

What has been forgotten is that people also have the capacity to train their mental faculties, such as attention, metacognition, emotion-regulation faculties and even prosocial motivation and compassion. Training these mental faculties does not only make people more efficient, since they can concentrate on tasks better and cope with everyday stress and challenges in a more balanced and protective way: it also helps to develop a less self-centered and broader view on themselves and their interdependence with others. It can improve the compassion and caring motivation needed to face the problems of global society.

Recent plasticity research focused on short- and long-term mental training studies has accumulated evidence for the “trainability” of cognitive, as well as socioaffective faculties, such as attention, empathy and compassion in children and adults.

More specifically, neuroscience has shown that compassion training not only increases activity in brain networks related to positive affect and affiliation when exposed to the distress of others; but it also reduces stress-relevant hormonal responses and increases immune markers and prosocial behavior towards others. Given these promising findings, it is time to translate these into policy suggestions.

Although school children, business people and bankers will presumably need different forms of mental training, they should share the same underlying principles. First, they should understand that people are not

exclusively and intrinsically selfish: instead they are capable of prosocial motivation and altruism—and this motivation can be trained.

Second, they should understand that the exercise of such prosocial motivation can increase well-being and happiness, as well as health and emotional balance. In contrast, the expression of excessive selfishness can have detrimental effects on well-being and health (for example, stress-related diseases and depression).

Third, they should understand and attend to the interdependence of people and of all living things.

GESolution 2

Provide mindfulness and compassion training to preschool children as a standard component of their education.

Children have particularly plastic minds, so that mental training is particularly effective in the preschool years. Such training can also have a significant impact in the early school years. Just as an uncompassionate upbringing in early childhood (as in Romanian orphanages three decades ago) has long-term consequences for brain development, so too can compassion training for preschool children.

Compassion training could also serve to introduce secular ethics into schools, based on universal values, common across countries and cultures. Such secular ethics can help to ensure that the next generation creates societies where individualism does not dominate awareness of interdependence, shared humanity and mutual responsibility.

A recent pilot study conducted by Richard Davidson's team at the University of Wisconsin, Madison, has highlighted the remarkable effect that a simple eight-week intervention based on very simple mindfulness and compassion training can have on four-year-old preschoolers. It resulted in a significant increase in prosocial behavior and a striking reduction in discrimination between "in-groups" and "out-groups."



3. Mental Training towards a Caring Economy

GESolution 3

Make mindfulness and compassion training available for the teachers and the parents of preschool children, to reinforce the children's training.

For preschool training in mindfulness and compassion to be particularly effective, the teachers should receive a proper training (lasting typically 10 weeks). The training also needs to be reinforced in the home. For this purpose, parents of preschool children must be given access to training in mindful and compassionate parenting. First attempts have successfully been made to introduce compassion training to teachers in Europe and the United States.

Compassion training may also influence the parenting models that parents choose to adopt. In the “nurturing parenting model,” discipline is achieved through love and respect, although without laxity and excessive permissiveness. Parents explain their decisions to their children, so that the children can assess the justice and wisdom of their decisions.

In the “authoritarian parenting model,” children receive “tough love” and are punished so as to promote the toughness, stamina and rugged individualism that are allegedly required to cope with the competitive struggle for survival in the hierarchical power structure of the prevailing culture.

Widespread compassion training for parents could have two complementary effects: first, it could induce increasing numbers of parents to adopt the “nurturing parent model;” and second, it could promote a culture where caring is more highly valued and thus more important for social success.

GESolution 4

Encourage business enterprises to establish “mental gyms” in the workplace.

Business people accept the need to go to the gym regularly to maintain their physical health. Analogously, mental gyms have the potential to improve their mental health. Mental gyms contain cushions and chairs instead of workout machines.

Such initiatives are already becoming a reality, for example, in the implementation of “mindfulness-based stress reduction” programs into health care and business institutions. Mental training facilities have also been recently introduced into scientific environments, including at the Center for Investigating Healthy Minds at the University of Wisconsin, Madison, led by Richard Davidson and at the Social Neuroscience department of the Max Planck Institute for Human Cognitive and Brain Sciences in Leipzig, led by Tania Singer.

GESolution 5

Make mindfulness and compassion training available to journalists as a catalyst for turning significant caring activities into news.

One reason why many economically advanced societies overvalue selfish and aggressive behaviors and undervalue caring behaviors is that the former receive disproportionate attention in the media. Journalists and other media professionals commonly believe that they can attract and retain readership primarily through accounts of violence and selfish achievement. The resulting social norms reinforce this media coverage, which in turn strengthen the social norms.

To break this self-reinforcing spiral, journalists should be given easy access to mindfulness and compassion training. This training will raise



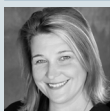
3. Mental Training towards a Caring Economy

their sensitivity to the importance of and interest in caring behaviors, thereby influencing their choice of media topics. There is a growing body of evidence indicating that contrary to the conventional wisdom, consumers of media products tend to be more attracted to accounts of caring behaviors than to those of violent and selfish behaviors.

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4. Tackling Youth Unemployment



Challenge

Among the world's unemployed, young people have been particularly hard hit. Youth unemployment rates are significantly higher than adult unemployment rates in both developed and developing countries. Global protest movements of young people are a manifestation of their lack of job prospects.

On the one hand, higher youth unemployment can simply result from frequent job changes and short intermediate unemployment spells. It may be natural for young people to switch jobs more frequently before a good match with an employer is achieved.

On the other hand, high youth unemployment can result from deeply rooted problems, such as a lack of relevant education and training, rigid labor markets and discrimination. Unemployment spells at a young age may also have persistent negative consequences for subsequent careers.

Since young people may have different abilities and different goals to adults, should there be distinct youth unemployment policies and should labor market regulation pay specific attention to young people? As technological innovations and globalization continue to affect the workplace, how can unemployed youth be supported in their efforts to adjust to organizational change? What skills do young people need and how can they be taught and acquired?

GESolution 1

Governments should guarantee the young either a job or access to training.

Governments should guarantee to find a job or training for every young person out of school or without a job for up to four months. The practice of “youth guarantees” originated in Austria, where it aims to reduce youth unemployment directly at a reasonable cost. The overarching goal is to prevent the erosion of human capital in the long run.



4. Tackling Youth Unemployment

GESolution 2

Replace the system of temporary and permanent employment contracts with a single type of open-ended contracts with gradually increasing employment protection.

In many countries, labor market regulations create a highly segmented system with low severance pay for the termination of temporary contracts and a steep increase in the severance costs for permanent contracts. Many employers therefore avoid hiring people on permanent contracts due to the high costs they would incur in recessionary times. They prefer to rotate workers in a sequence of fixed-term contracts rather than to upgrade them to permanent contracts.

The higher turnover rate becomes detrimental for productivity and temporary jobs become dead-end jobs rather than “stepping stones.” Replacing most temporary contracts with an open-ended contract, in which the level of employment protection increases gradually over time, would eliminate the incentive for this wasteful rotation.

To foster the labor mobility of young workers, the system could incorporate the creation of a worker-specific fund. Under this so-called Austrian model, the firms anticipate a small fraction of any redundancy payments by making annual payments into the fund.

GESolution 3

Use extensive surveys of firms to determine skills needs and then steer the young into appropriate education and training programs.

There is a big mismatch between the types of education and skills that young people have and those needed by companies. This can lead to situations in which youth unemployment is high while simultaneously, there is a large number of vacancies that are difficult to fill.

Coordinated and extensive surveys of firms can provide a picture of what skills in what quantity are needed. Given that companies are willing to commit to hire, young people can agree to participate in specific education and training programs. Cooperation between universities and firms would be essential.

GESolution 4

Promote vocational training and foster uptake.

Policies should publicize the importance of vocational training and steer the young towards choosing to acquire more practical and useful skills. Many jobs require training that does not necessarily match the format offered at institutions of higher education. Although the necessary vocational training is in many instances available, young people frequently choose the more general and traditional university education. Based on the specific nature of the economy, policy-makers should emphasize the need for particular sets of skills and provide the best options to young people to acquire them.

Evidence suggests that dual vocational training or apprenticeship systems, combining apprenticeships in firms and formal education at vocational school simultaneously rather than in sequential stages, contributes to lower youth unemployment rates. But for an apprenticeship system to work well, it has to be tightly organized, with close cooperation between schools, workplaces, local employers' organization and unions.



4. Tackling Youth Unemployment

GESolution 5

Adopt a dual approach to training: address unemployment among educated young people with compulsory on-the-job training and placement schemes and among uneducated young people with vocational training.

Dividing young people into two groups, the educated and uneducated, would increase the impact of policies aimed at reducing unemployment. It would be an approach that recognizes their different training and educational needs, as well as the different skills that they possess and can offer to potential employers.

A solution for educated youth would be compulsory on-the-job training as part of the education system. Campus screening and placement schemes can bring firms and schools closer together and provide a platform for exchanging valuable knowledge.

At the same time, vocational training programs could prove to be optimal for uneducated youth. Provided by government-funded institutions and nongovernmental organizations with local experience, they could be better calibrated to the needs of the participants and local employers.

GESolution 6

Create Internet platforms that support remote work and “trade in tasks.”

Globalization and the Internet offer numerous possibilities for people to become part of the global value chain. Tasks that can be transmitted electronically can be done anywhere in the world. Young people, who are typically especially open to such new technologies, can offer their services on central electronic platforms and thereby reach a much larger market. This may be particularly valuable in remote parts of the world.

Background

There is no single best solution to the challenge of youth unemployment. Governments should use a number of integrated and coordinated policies: it is the complementarities of all policies that will help solve the problem. The most effective way to reduce youth unemployment is to use a battery of complementary policy actions—more specifically, a combination of macroeconomic policies, general labor market reforms and targeted policies to increase the demand for young workers. In addition, different policies are needed for educated and noneducated young unemployed.



4. Tackling Youth Unemployment

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5. Expanding Job Opportunities for Senior Citizens



Bureau of European Policy Advisers (BEPA) Session

Challenge

The key socioeconomic trend in many parts of the world—including China, Europe and the United States—is an ageing society. This trend is driven in part by lower fertility but mainly by higher longevity. This means that growing old age dependency—the ratio of older retired people to younger working people—will not disappear with the passing of the baby boom generation: indeed, it will keep increasing.

This poses three big challenges: first, a possible slowdown in economic growth (associated with the shift from “demographic dividends” to “demographic liabilities”); second, budgetary pressures on pension and social systems; and third, conflicts over the intergenerational distribution of wealth (including conflicting conceptions of justice).

Various policy responses to these challenges have been proposed: raising the effective retirement age; promoting greater fertility and immigration; encouraging more female labor force participation; reducing unemployment; boosting productivity; and increasing working hours per employee. Of these, only the first can be expected to have a substantial effect that is deliverable in the short run and persistent over the long run.

But raising the effective retirement age is difficult, requiring an increase in both the demand for and supply of senior work. On the supply side, the retirement decisions of seniors depend in part on the incentives created through pension regulation and financial rules, as well as employment and social policies. These incentives are reasonably well understood.

Arguably, the most challenging policy issue is on the demand side: how can employers be induced to retain their senior workforces longer and to hire more seniors? And what changes in economic, political and social conditions are required for businesses to recognize that the employment of seniors is in their own interests?



5. Expanding Job Opportunities for Senior Citizens

How can perceptions and expectations of career paths be altered to allow for more progressive transitions towards retirement? Should there be more lifelong learning and should it be provided by businesses themselves or by the community? Would adapting employment protection for seniors create unintended negative consequences? And should career progressions, along with the related wage progressions, be allowed to peak and then decrease past a certain age, in line with productivity over the lifecycle?

GESolution 1

Promote lifelong learning and age-appropriate career management as part of firms' corporate culture to improve the employability of older workers.

The social contract is changing from lifelong employment to lifelong employability. To keep ageing workers productive and, hence, attractive for firms to hire or retain, it is necessary to develop a corporate culture that promotes and protects the productivity of the senior worker. Such a culture should have several dimensions, including supporting workers' health, keeping human capital up to date and maintaining workers' motivation.

Increasing the skills of older workers calls for lifelong learning, including learning towards the end of people's careers to enable greater job mobility at that time. To remain productive and competitive in today's labor markets, workers need to enhance and broaden their skills continuously. Firms should be aware of the prospect of tightening labor markets in an environment of ageing populations and prepare their workforce to be productive for longer.

Training may offer the possibility for older workers to shift across occupations within a firm. Workers' incentives to enhance their skills and invest in their employability, possibly in a new occupation and a new firm, should be strengthened. There may also be a role for governments to provide

training programs for older workers, especially if structural adjustment leads to large-scale redundancies.

Higher investment in human capital throughout people's careers will facilitate and motivate workers to work longer. Entrenched expectations of early retirement can also be thwarted by providing older employees with new perspectives, such as age-appropriate career management geared to each phase of working life and providing flexible routes into final retirement.

Expectations of staying longer at work will encourage workers to invest in their skills, which will enhance the profitability of firms' investments in training. Nevertheless, to some extent, the shorter payback period of training investments for older workers will remain an obstacle for higher take-up of continued training, which may provide a rationale for corporate training deductions, at least for certain groups of older workers. This would be mitigated if workers had credible expectations that careers would be extended (for example, from an effective retirement age of 55 to 60) or that moving up the ladder will be possible for longer.

GESolution 2

Governments and business should promote the redesign workplaces and work schedules individually to fit senior workers' skills and abilities.

Keeping workers healthy and physically able to work longer will involve redesigning activities that can only be performed for a limited period of time, avoiding longer-term repetitive stresses on employees and introducing measures that provide a break from arduous tasks. On an individual basis, a first step would be to understand the nature and scope of workers' medical conditions, how their work capacity is affected (temporarily or in the long term) and work out appropriate strategies that can be applied in a timely fashion to maintain their work capacity.



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In addition, more resources should be committed to preventive health care. It is important not to start such investments in health at the age of 60 but when people are in their twenties, as health conditions are often cumulative in nature.

GESolution 3

Allow wages to adjust to lifecycle productivity and refrain from restrictive employment protection legislation that prevents such adjustment.

More flexibility in wage determination may improve the employability of workers where institutional rigidities prevent adjustment to changes in lifecycle productivity. If changes in the wage level during an individual's working life are prevented to reflect age-related changes in productivity, employers are likely to be reluctant to retain older workers and will prefer to hire young workers.

Cross-country empirical evidence shows a negative impact of high relative wages on employment opportunities for older workers. In some countries with particularly pronounced seniority wage systems, such as Japan and Korea, older workers are systematically forced to retire early from their career jobs to be either reemployed by the same employer for a deeply reduced wage, employed in a different lower-paying job or start self-employment. Alternatively, providing a legal framework that eases the rehiring of retired workers temporarily in times of high labor demand would offer an attractive alternative to hiring new staff.

Strict employment protection is a double-edged sword for labor market outcomes. While the retention of older workers may be increased, it is likely that the propensity of firms to hire older workers is reduced. Empirical evidence from OECD countries suggests that strict employment protection laws depress labor demand for older workers.

In a similar vein, laws against age discrimination may benefit older workers in jobs as they are more difficult to fire but harm those seeking

employment and reduce overall labor demand for older workers. In the short term, such laws may help to correct wrongful perceptions of senior workers. In the medium term, employment protection legislation should pursue an age-neutral approach to collective dismissals, which would lead to more uniform protection against redundancy for different groups of workers irrespective of their age and seniority.

GESolution 4

To facilitate partial retirement and downshifting, introduce more flexible working conditions, such as flexible rostering patterns, work schedules and part-time work, as well as flexible retirement schemes, including pensions based on lifetime income or contributions and flexible drawing-down of entitlements.

To sustain the productivity of older workers, employers should be encouraged to create an appropriate working environment or use more flexible working conditions, including flexible rostering patterns, work schedules and part-time work, to react to potentially reduced physical or mental capacities. An important element of making work less demanding for older workers in the later stages of their working lives would be the introduction of more flexible retirement schemes that enable employers to offer downshifting options, especially to low-skilled workers.

Downshifting generally involves taking a position as retirement is approaching that involves fewer hours or less responsibility and may be a way to extend lifetime working time. But there is often a strong disincentive to downshift in later career stages because of pension plans that link pension rights to the final salary (or salary in a small number of final years). This could be replaced by linking pensions to the full lifetime income or contributions to the pension scheme.

Pension providers and others should also be aware that older workers may feel more comfortable moving to other employers if they are downshifting and should make their pension schemes flexible enough to accommodate



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this. People should be able to draw down pension entitlements (from both state pensions and privately funded pension plans) in more flexible ways to enable gradual retirement. More flexible working time arrangements are also important to enable workers with caring responsibilities to remain in the workforce (an issue that is relevant not only to senior workers).

GESolution 5

Establish a national or international clearinghouse for best practices in retaining older workers.

A number of predominantly large companies have started to design and implement programs that aim to retain older workers and keep them productive for longer. It is in the interests of both companies and workers to create a trusting environment in which such topics as financial management can be discussed openly. Establishing a platform for exchanging experiences—a clearinghouse at the national or international level—would help to evaluate the programs and disseminate best practices, especially to smaller firms.

There is also a need for nonprofit organizations and NGOs to help workers in their retirement planning in an environment that would be more flexible but also potentially more complicated. The government could lead by example, developing a role model in how it engages and retains older workers. One element of policies to help senior workers remain in the labor market could be for employment agencies to develop innovative strategies for getting older workers back into employment. The performance of these strategies should be monitored and information on good practices diffused widely.

GESolution 6

Fight stigma and discrimination and correct popular misconceptions about the impact of age on employability and the impact of working longer on the labor market.

Impediments to the employment of older workers are partly rooted in prejudices about the impact of age on employability and the impact of working longer on the labor market. Another factor is that society conceives retirement as a time of rest after a long working life. Informed discussions may help to combat widely held misconceptions about ageing.

Researchers have an important role to play in translating results and giving policy advice to the public as well as to politicians. Public agencies and employers associations as well as labor unions should engage in educating their clients/interlocutors to correct flawed views.

A notorious fallacy is that keeping older workers for longer denies jobs to younger workers. In fact, empirical evidence suggests that keeping older workers encourages the creation of more jobs for younger workers. There are also concerns among employers that older workers are less suitable for training and resistant to change, which may lead them to view investment in training older workers as unprofitable. But if workers undergo continued training throughout their working lives, declines in their trainability in old age will be limited.

Research shows that people can still learn up to a rather old age. But interindividual differences become larger. In addition, because retention rates of older workers are high, training older workers may be as profitable as training younger ones, especially if it increases the probability of employees working longer. While there is evidence of some decline in the productivity of older workers relative to that of younger ones, employers can benefit from characteristics typical of more advanced years (such as experience, “wisdom” and reliability) when recruiting older workers.

Research also finds that contrary to what is conventionally assumed, seniors are not more risk-averse. Moreover, older workers are typically



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found to be more cooperative than juniors in a team-production game. Indeed, cooperation is highest in groups consisting of a mix of juniors and seniors, suggesting that there are considerable benefits in maintaining a work force with diversity in age. Promoting the benefits of an age-balanced workforce could be a focal point in information campaigns.

Background

In countries with high workforce participation among older workers are often those where savings rates are actually very high, but where people still lack funds to retire comfortably.

There is a seeming anomaly in the labor statistics regarding older workers. In countries where there is high workforce participation among older workers, there also tends to be high unemployment. In the United States, for example, more older people are working that in decades past, but the unemployment rate among the older workers is the very highest it has ever been. High workforce participation among older workers today is a measure of how inadequate pensions, social security and other so-called safety nets really are.

There are health benefits to working at jobs people enjoy, social benefits (which also keep people healthier) and then there is the general benefit of letting people contribute to society and fates of their nations in the last fifth, or even third, of their lives. The action agenda around this is not just to encourage employers to hire older workers, but perhaps to provide incentives in the form of taxes or supplemental income from the government, that encourages employers to keep older workers around, encourages older workers to come up with their own businesses, trains them, etc. Public budgets gain savings when people take their age-related benefits later, but even bigger savings may come if people stay healthier and happier and have a sense of purpose. Some jobs would not be a good fit for this, particularly those that require wrenching physical work.

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6. Implementing Board Diversity



Challenge

In the wake of the global crisis, there is clear momentum towards changing the way that business is conducted—whether in the form of increased regulations, greater accountability or changing corporate leadership. Such initiatives include changing the composition of corporate boards to include more women. What progress has been made on these initiatives and what would make them more effective?

Europe has taken the lead in refreshing boards of directors by bringing the voices, perspectives and ideas of women to guide its companies in an increasingly competitive global economy. It is doing so in the middle of its own financial crisis, which suggests that when the region emerges from this period, it will have a new cadre of board directors who were not there before in significant numbers. How they affect companies' performance remains to be seen.

The most aggressive strategy is government-led through mandated quotas of 30–40% of board seats to be held by women in publicly traded and/or state-owned companies. What Norway began in 2003 with its insistence that women comprise 40% of the boards of listed companies has resulted in the strategy being adopted by Spain, Iceland, France, Belgium, Italy and the Netherlands. Outside Europe, Malaysia has issued an executive order for 30% of board appointments to be female—the first country in the Asia Pacific region to do so. In Latin America, now Brazil has proposed a quota of 40% for state-owned companies from 2012, which generate 38% of the country's GDP.

Have these quotas been effective? A 2012 report by Corporate Women Directors International on where women are on the boards of the world's 200 largest companies showed that companies based in countries with quotas had a higher percentage of female directors (16.1%) than the 13.2% average representation in peer companies. France showed the most dramatic increase from its prequota 6.4% female board representation to its postquota 23.7% women directors in 2012. But other countries have moved far more slowly.



6. Implementing Board Diversity

Not all quota laws are the same: for example, none compare with the strong sanctions that Norway introduced nor its strict deadlines for implementation. What can governments do to encourage compliance with these mandates? Which government agency should be responsible for oversight and are governments willing to allocate those resources, especially in difficult economic times?

Beyond quotas, there are private sector initiatives to improve the percentage of female directors by incorporating board diversity (and in some instances, gender diversity) into a country's code of corporate governance. Sixteen countries have recently adopted such measures, primarily European but also including Kenya, Nigeria, Morocco and Malawi. Some have been instituted to get ahead of quotas or to parallel those already in place.

The question again is how effective are these “soft” measures? Finland, which was the first country to adopt this strategy in 2003 and then specifically required gender diversity in 2008, has seen remarkable progress in the percentage of female directors, which has increased from 12% to 22% since 2008. Members of the Finnish corporate governance commission are proud to point to the fact that they arrived at this increase without a quota.

Another private sector initiative is driven by stock exchanges in Australia and Poland (and recently proposed by the Hong Kong Stock Exchange): to have board diversity as a listing requirement. Australia's approach is the most aggressive in its requirement that member companies disclose the percentages of board directors, senior management and employees who are female and their plans for improving those numbers. Has this been effective? Apparently so: in the past two years, Australia increased its percentage of female directors from 8.3% to 15.2%.

As heartening as these efforts are, the question is how can these initiatives become sustainable? Will companies do the hard work of creating a corporate culture that creates a pipeline for women to senior leadership roles? What internal policies need to be instituted for women to rise to the top of companies so as to provide new perspectives and experiences?

GESolution 1

Strict deadlines for compliance and enforced sanctions for noncompliance with quota laws must be in place for board diversity laws to be effective.

No matter which country has instituted quotas for board diversity, the initiative remains a controversial strategy for refreshing boards and ensuring equitable representation of corporate stakeholders. These mandates will only work if governments impose strict deadlines for compliance and strong sanctions for nonimplementation. Norway had a strict two-year deadline to which it adhered and companies that did not reach 40% of their board being female in that period would be dissolved. None did and many credit the strict sanctions for companies meeting the mandated percentage.

Sanctions by themselves are useless if not enforced and that requires active government oversight. Some quota laws were passed without any indication as to which agency had responsibility for ensuring compliance nor any allocation of appropriate budgets to enable such an agency to do its work. Clearly, both are necessary.

A sanction in Spain, if properly enforced, is a good example. Basically, government contracts will be granted only to companies that have met the quota requirement for women on their boards. This sanction is modeled after a similar affirmative action requirement by the US government on all federal contractors through the Office of Federal Contract Compliance. So far, no Spanish companies with government contracts have been challenged on the basis of their board composition, but given the volume of contracts issued by any government, this proposed sanction is one that could make a big difference if adopted and enforced by any country that currently has a quota for women directors.

Staggered deadlines that set a certain percentage to be reached by a specific date are helpful in guiding companies towards compliance. The French quota law set a 20% goal to be reached within three years after enactment and 40% within six years. As it turned out, France's blue



6. Implementing Board Diversity

chip companies have reached the 20% goal ahead of the midway date. Overall, compliance is more likely if it is understood that quotas are a temporary binding measure to accelerate women's access to board seats.

GESolution 2

Engage male corporate leaders in actively increasing the number of women directors.

Since the majority of CEOs and board directors globally are men, no real progress in increasing women in corporate leadership will happen without the visible leadership and engagement of male business-leaders. Men are also more likely to listen to other men. Australia provides a unique model with a group of CEOs across industries called the “Male Champions of Change,” who came together to advance gender equality across their organizations and most importantly, to act as public advocates. Twelve CEOs comprised the original group, which has now grown to 22.

Combined with the Australian Stock Exchange's board diversity listing requirement and activities by other groups, there has been real momentum in appointing more women to the boards of companies. In 2012, 24% of new board appointments in Australia were female compared with just 5% as recently as 2009.

According to Glen Boreham, IBM Australia's former CEO, “the key to the strategy is that the group was self-directed... We own the focus of the group and how the solutions that we generate might be implemented. Our peer grouping ensures discipline and even creates competitive spirit.”

In the United Kingdom, the male voice for change is Lord Mervyn Davies, former trade minister and former Standard Chartered Bank CEO, who was commissioned by the government to review the status of women on boards. His report, released in 2011, had strong recommendations that FTSE 200 companies must double the percentage of women directors from 12.5% to 25% by 2015.

“You can’t carry on with a board that doesn’t represent your employees or your customer base,” says Lord Davies—a message that he has communicated to the chairs of the United Kingdom’s largest companies. His continued advocacy for increasing women’s presence on boards has sustained the public’s focus on this issue with press coverage of his pronouncements. Given his stature, other CEOs and board chairs are beginning to listen.

GESolution 3

Multilateral investment banks, government development banks and pension funds should bind their equity stakes to contractual clauses ensuring minimal gender equity on the boards of companies in which they invest.

Given the volume of investment made by development banks, whether international or national, they are in a unique position to influence the board composition of companies in which they have equity stakes. As key providers of finance they can take an active role in promoting gender diversity in these companies. They can do so either by requesting board seats equivalent to their investment stake in a company to be filled by women or by adding a “diversity” clause in contract agreements such as shareholder agreements that ensures a certain percentage of female directors on their boards after a certain grace period.

Why should these institutions do so? Because of their stated goal of promoting social and economic development as well as because their funds come from taxpayers in donating countries to multilateral banks or directly to national development funds. The International Finance Corporation of the World Bank is beginning to identify and appoint women to the boards of investee companies in different countries.

In the United States, large pension funds have begun to use their institutional investment strength to push for a larger voice in the election of board members, while at the same time creating a database of experi-



6. Implementing Board Diversity

enced directors with an eye towards diversity. State treasurers who oversee state pension funds have also begun to pressure companies based in their states on the issue of board diversity. In addition, since these investors are also relevant creditors of companies worldwide they could also create programs that provide loans with advantageous terms such as a reduction in interest rates, larger grace period or longer maturities—to companies committed with achieving a minimal gender diversity (e.g., at least 1/3 of each gender) on their boards after a grace period to be determined (e.g., 3 years after the date of the loan). Furthermore, a minimum level of board gender diversity (e.g., at least 1/3 of each gender) could be set as a prerequisite for approval of financing for large companies above a certain amount.

GESolution 4

Companies must work proactively to create internal policies and programs that enable women to rise to leadership roles.

In the end, none of the strategies outlined above will be sustainable if companies themselves do not put in place the internal policies and programs that enable women to rise to leadership roles. These mechanisms are already there in some large companies around the world but not in the overwhelming majority.

No solution for fostering women's access to corporate leadership will work without the active leadership of a CEO or board chair. No real progress will happen without targets and continuous measurement of progress made through all of the internal programs, whether they are pay-related incentives, mentoring programs, work/life policies—such as the implementation of a suitable infrastructure where parents could leave their children during workday—, active identification of female high potentials or other initiatives.

Lastly, no progress will be made unless companies understand that diversity in their leadership is tied to competitiveness. Many CEOs still do not see the link between gender diversity in their senior ranks and

better financial performance, despite a plethora of research that shows a strong correlation no matter which country conducted these studies. This is where male champions are of value and where recognition should be given to companies that do foster the growth of female leaders within their ranks.

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1. Favelas—A Global Challenge and Opportunity



Challenge

Slums or “favelas” are a distinguishing feature of the world’s “megacities.” Caracas, Hong Kong, Manila, Mumbai and Rio de Janeiro would be different places if slums were not part of their landscapes.

The favelas have also become a social and urban planning phenomenon that is extremely challenging for those who run cities. Key issues include employment, housing, health, sanitation and urban infrastructure; there is also the challenge of violence management.

Slums normally occupy areas that are unsuitable for construction, primarily because of topographical features or sanitation issues. This physical configuration and the lack of planning make access roads very difficult, but they also stimulate creativity and unprecedented urban solutions. In some cities, slums have more ephemeral characteristics: they emerge in abandoned fields near areas of recent urbanization or booming industrial expansion.

How can the social and urban planning challenges of favelas be addressed? What are promising approaches in employment, housing, health, sanitation and urban infrastructure?

Could initiatives implemented by different government sectors and other stakeholders (such as multilateral development institutions), which have achieved consistent results in housing and the control of violence, be scaled up? Could successful implementations, as with the UPPs (Pacifying Police Units) installed in Rio and Medellín, be applied to other countries and regions? What are implementable cultural and transport solutions?

What innovations can the private sector contribute? Is provision of better education the basis for the process of transformation of these communities? And how can awareness be raised so that citizens of the favelas demand improvements in the quality of their lives?



1. Favelas—A Global Challenge and Opportunity

GESolution 1

Foster a greater sense of self-determination and choice by initiating “grassroots” discussions and local group decisions to promote change and involving professional intermediaries to communicate the community’s agenda.

Such an approach would aim to reduce the numbers of poorly planned projects and solutions developed by distant authorities and generalists. It would benefit from bringing in professional intermediaries (businesses, NGOs and political action specialists) to convey a community’s agenda to the appropriate decision-makers.

GESolution 2

To improve local communities, build open plan cultural spaces composed of multiuse green spaces, libraries, entertainment venues and meeting halls.

Include museum-concept buildings located within the community space that show the history of the place, the important events that shaped its development and the memorable people who lived there. This will counteract the well-documented memory loss and learning disabilities associated with living in violent environments.

Building such community spaces (“agoras”) implies the challenge of relocation of displaced residents. To locate these agoras in a nonintrusive manner, obsolete infrastructure could provide the vacant spaces in cities. The example of Bogota’s gondola system, which incorporated housing units in the stations for dislocated residents, could be transferred to community spaces. To minimize the emotional and psychological effects of dislocation, the units are designed to emulate cluster-style housing and include modern infrastructural amenities (electricity, water, sanitation, etc.).

GESolution 3

Expand public transport systems to enhance social inclusion and improve employment opportunities for residents living in disadvantaged neighborhoods; and provide job-specific training to local residents to build these systems.

This proposal is particularly well-suited to places that have large, continuous, demarcated geographical zones of impoverishment in countries that have sufficient financial resources to undertake such projects.

Qualifications

There are differences of opinion as to the implementability of granting ownership title and property rights to community residents. In particular, it was proposed that the state should grant ownership, title and property rights to community residents to improve their living standards with a tangible asset and to help alleviate the fears of eviction. This was opposed as being infeasible and not implementable on a comprehensive worldwide level. Economic interests are seen too strong to allow, for instance, the Dharavi slums in Mumbai to continue to exist, and government social policy platforms are too weak to hold back the powerful special interest groups that are tied to land redevelopment. Additionally, corruption within the informal housing market is rampant and because of this, the fear of eviction would still exist even after title passes to the resident.

The impetus for change is appearing in many countries, but unfortunately the various movements are underfunded, small, and generally without a “voice” of sufficient strength to be heard, and in some cases, even within the government sectors tasked with social reform. For example, the Landless People’s Movement “No Land! No Vote!” campaign and the social action group “Shack Dwellers” initiatives in South Africa face continued resistance.

Furthermore, there are also differences of opinion as to whether governments should promote residents or communitarian associations. On



1. Favelas—A Global Challenge and Opportunity

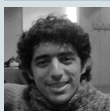
the one hand favelas are diverse spaces both within and between cities. Therefore, “one size fits all” solutions are bound to fail. Residents associations can help to promote the specific needs of the residents with the city and enable them to take an active part in the design and implementation of a public policy. On the other hand, in a number of cases resident associations are criminally-backed, corrupt, and “pay as you go” organizations in the social landscape.

In the media, reports flourish on the topic and on the street it is a well-known fact: deal with the resident associations only when absolutely necessary. The influence of larger, historically relevant favela-rights organizations has been effectively neutralized in recent years. The reestablishment of voter freedoms in marginalized communities is the necessary first step toward reinvigorating positive attitudes and belief in the offices of the resident associations.

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2. Security in the Face of Globalization



Challenge

Globalization has transformed the nature of crime and the need for security. Under current systems of justice, crime fighting and crime prevention tend to be conducted in local, national and international policy silos. These systems are no longer appropriate for dealing with the globalization of crime, which has come to include multifaceted, complex and highly interrelated domains, such as terrorism, drug trafficking, cybercrime and urban violence.

Crime has become globalized by using the global networks of trade, migration and information that are also responsible for much global economic growth and opportunities for poor people and poor countries to escape from extreme poverty. Through this globalization of crime, the sovereignty of nationstates and their spheres of executive, legislative and judiciary power are being undermined.

The only way to rise to this challenge is to reexamine the organization of law and order, the limits to the role of nation-states in maintaining security, the need for worldwide benchmarks and values to confront crime and the influence of security and legal decisions.

How should local public security apparatus interact with nationwide strategic agendas in dealing with globalized crime? What are appropriate strategies for dealing with companies engaged in globalized crime and associated flows of transnational capital?

What principles—such as utilitarianism or contractualism—should guide efforts to protect public order? How can the need for public security be reconciled with democratic principles and human rights in civil societies? And how should current benchmarks of public order be reconciled with current conceptions of national sovereignty?



2. Security in the Face of Globalization

GESolution 1

Implement a global tracking system for weapons and ammunition.

While it is possible to track even a bottle of water and its value chain across the globe, weapons and ammunition are still moving out of the sight of public authorities. The presence of weapons and ammunition is pivotal in most of the criminal activities of greatest concern to those authorities—and certainly in those that cost the most lives. At the same time, weapons and ammunition are often imported.

An effective tracking system for the major producers of weapons and ammunition would be a vital step towards eradicating trans-border arms trafficking, thereby contributing to depriving many criminal activities of one of their most important resources. The global community, including public authorities but also manufacturers and other private stakeholders, thus needs to implement a tracking system for weapons and ammunition.

Each nation-state is responsible for closing its borders to incoming and outgoing illicit arms and ammunition trade. Border protection against weapons and ammunition should be a priority for crime reduction within a clear national policy for public safety.

GESolution 2

Agree a “Global Treaty on Crime,” which determines benchmark indicators for measuring countries’ success in reducing crime and which establishes knowledge, technology and best practice transfer across countries.

Countries are working together to find solutions in economic and political areas and they should do the same to combat globalized crime. A multitude of public and private crime fighters around the world have devel-

oped a thorough understanding of the process of fighting crime and they know what works and what does not work.

To enable these crime fighters to learn from one another, it is vital that transfer of best practices throughout the world takes place. While much of crime fighting naturally has to be locally focused, many effective policing techniques can be universally applied. International standards should be established that recognize those techniques that are broadly seen as effective.

Knowledge transfer could easily be institutionalized in an international treaty, which in addition, includes benchmarks that make it possible to measure the success of each country's fight against violent crime. Such a "Maastricht Treaty on crime," domestic and international, would specify criteria to measure the success of police forces, prosecutors and courts in all signatory states. Each nation-state has the responsibility to promote public order. Moreover, the chances of winning the fight against organized crime will be highly connected to the ability to share intelligence and best practices and to operate across borders.

GESolution 3

Prosecution bodies and courts must shift their focus from exclusive law enforcement to problem-solving.

Courts should increasingly shift from being judiciary bodies to being problem-solving bodies. For example, specialized courts (those focused on drugs, domestic violence, guns, etc.) do not focus solely on calling offenders to account but also address the issues behind the case. Prosecution bodies are still at the beginning of this shift. Yet the first experiments suggest that a holistic approach, together with specialization with respect to topic, enhances both the efficiency and efficacy of prosecution.



2. Security in the Face of Globalization

GESolution 4

Military and other public safety forces should adopt the “strong and helping hand” approach.

Force alone is not suitable for fighting crime; a more holistic strategy has to be adopted to fight the roots of crime, such as deficiencies in education, health or nutrition. If necessary, force has to be used in a targeted manner and only after long-term planning. Pen and mind have done more than any weaponry, At the same time, a strong arm not only uses force but it can also lift.

Criminal activity has become more mobile, more innovative and more aggressive. It has also had more impact on the global community. Combating this type of crime is not a traditional military skill. If military forces have to be used against globalized crime, it is first necessary to change the way armed forces are seen. Safety forces need to operate with restraint and discretion in a precise and principled manner, as postulated by the “strong arm and helping hand” (“*braço forte-mão amiga*”) approach adopted in Brazil. This approach describes the use of targeted force where and if necessary (“strong arm”) and at the same time the offer to help with the soft factors (“helping hand”): Nutrition, housing, health and education, which are pivotal preconditions to eradicating the breeding grounds of criminal motivation.

To pursue a more holistic approach, military and police forces need to involve private stakeholders, for example, through public-private partnerships. Governments cannot delivery public safety and security alone or at least they cannot bear the financial burden alone: crimefighting has become an expensive undertaking.

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3. Fostering Open Government Initiatives in Public Services



Challenge

The provision of effective and efficient public services—such as health care, education and criminal justice—is a key task for government. In recent years, the financial crisis, digital technologies and other big trends have complicated efforts in these areas and intensified calls for large-scale reform.

More open government could be an important aspect of any meaningful restructuring. Providing citizens with easily accessible data on public services and giving them stronger voice in decision-making may trigger greater interest and participation. It may enhance both the accountability and effectiveness of government, as well as transforming the relationship between citizens and the state.

Growing numbers of countries have launched open government initiatives to exploit their potential benefits for public services. Some national governments have started to develop action plans with public consultation and committed themselves to independent reporting on their progress towards open government. They have also joined forces in multilateral initiatives to exchange experience and innovation. The most prominent effort is the Open Government Partnership, launched in September 2011 with the participation of 55 countries, currently led by the governments of Brazil and the United Kingdom.

In trying to design successful open government initiatives in public services, decision-makers face many questions: which concrete steps towards open government promise the biggest economic and political gains? How can the success of open government initiatives be measured, evaluated and monitored? And what is the best way to institutionalize open government initiatives at both the national and international level?

How could public participation be guaranteed beyond a minority of well-educated and highly engaged citizens? How can participation complement the system of representative democracy? And what are the limits of openness in terms of such concerns as personal rights and security-relevant information?



3. Fostering Open Government Initiatives in Public Services

GESolution 1

Establish international standards, quantifiable goals and an independent review mechanism to measure progress on open government.

Although open government initiatives enjoy broad support among decision-makers and the public, there is little evidence on which policies have an impact in achieving greater openness. As a result, governments lack information about which measures to foster, which to scale down and how do (re)allocate resources accordingly. Without an assessment of the impact of their policies, governments run the risk of failing to exploit the full potential of open government initiatives.

Open government initiatives need measurable goals and an independent review mechanism to help determine their degree of openness. Goal setting and review do not come without costs. But they can have an important influence on policy, indicating how to close loopholes, remove anomalies and ensure that regulation and legislation function in a way that supports open government objectives.

Ideally, the goals and review mechanism should not only be set and implemented on a national basis: rather, this should be an international endeavor. International standards and procedures would allow governments to compare results with their peers. Thus, they would provide incentives for governments to improve and refine their standards of accountability and transparency.

Individual countries, such as the United Kingdom, and the Open Government Partnership (OGP) have already made progress in this direction. The OGP and the OECD are potential partners in devising goals and designing a review mechanism. The former brings together more than 50 governments to compare countries' open government initiatives, while the latter offers knowledge about how to develop viable indicators and monitoring tools to improve countries' steps toward open government.

GESolution 2

Extend open government initiatives to the legislative branch.

At both the regional and national level, open government initiatives are usually instigated and implemented by the executive branch. They are also concerned mostly with the transparency and accountability of ministries and government agencies. Disclosure of legislative and judicial information has received far less attention. Moreover, parliaments are only sparsely involved in designing and setting up open government initiatives.

Greater parliamentary transparency and involvement could contribute to more effective, more accountable, more encompassing and more inclusive open government initiatives. In their daily workings, parliaments amass a great deal of useful expertise and information that should be available to the public. Transparency about its members and its budget would allow citizens to hold their representatives accountable and it would make lawmaking responsive to the electorate's demands.

To guarantee comprehensive accountability of government, it is important that not only the executive branch is monitored and subject to strict open government standards. Including citizens' representatives in open government initiatives can also help to raise awareness among citizens themselves, thus attracting more active participation in public affairs.

Parliaments themselves would gain much from increased transparency and greater involvement in open government measures. They can also improve their image by supporting their own accountability. In addition, they can gain leverage over other government branches by passing anti-corruption and transparency bills. But concrete measures to include parliaments in open government need to take account of the specific political culture and organization of a region or country.



3. Fostering Open Government Initiatives in Public Services

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1. Protecting and Restoring the World's Forests



Challenge

Forests are one of the world's major sources of ecosystem goods and services, including timber and water provision, carbon sequestration and biological diversity. Yet, destructive logging and increasing global demand for agricultural area for food, feed and bioenergy production continue to put pressure on forests, leading to loss of biodiversity and degradation of ecosystem services. Without any action, this contributes to the development that future generations might inherit a planet with a much poorer life web and unstable climate than today, which turns the protection and restoration of World's forests into one of the prominent ethical issues of our time.

The Reducing Emissions from Deforestation and Forest Degradation (REDD+) mechanism is the most important international mechanism to reduce deforestation and forest degradation which is implemented within the United Nations Framework Convention on Climate Change (UNFCCC). REDD+ is an effort to create a financial value for the carbon stored in forests, offering incentives to developing countries to reduce emissions from forested lands and invest in low-carbon paths to sustainable development.

This mechanism goes beyond deforestation and forest degradation because it includes the role of conservation, sustainable management of forests and enhancement of forest carbon stocks. After a long period of high forest conversion and degradation, even in the absence of an overall climate agreement, deforestation rates have been decreasing recently. In some regions, forest cover is even increasing as a result of continuous restoration efforts.

But against the background of increasing threats from climate change, questions remain about whether the actions taken are enough to conserve and restore forests. And since new plantations and restored forests are often of lower quality and have less biological capacity than natural forests, it is clear that further efforts are needed that explicitly take account of other forest ecosystem services. It is important to discuss whether additional incentives should be put in place and what instruments



1. Protecting and Restoring the World's Forests

are appropriate for maintaining or restoring the ecosystem services provided by forests.

To decide how much effort is needed, important ecosystem services and biodiversity “hotspots” have to be identified and information gathered on the degree to which they are affected by deforestation or low quality afforestation. Better knowledge of local ecosystem services has to be gained and drivers of negative pressures have to be further understood. Finally, the economic value of ecosystem services has to be calculated to support sustainable political decision-making: how can this information be gathered and who is responsible?

For several years, the scientific community has discussed implementation of an efficient scheme of payments for ecosystem services (PES), and several local on-the-ground pilots have been initiated. Carbon sequestration is the only ecosystem service where efforts have been made on a global scale to create economic incentives for its provision. Should there be further efforts to implement PES schemes for other ecosystem services?

Apart from the conservation of wild germplasm for economically important crops, carbon sequestration is the only ecosystem service that is widely accepted as being related to a global externality, namely climate change. Externalities resulting from the degradation of other ecosystem services seem to have a local reference at first sight. Considering the increasing global pressures on natural ecosystems and against a background of possible irreversibilities, the question arises whether a global regulatory framework is also suitable for these ecosystem services or whether this is purely the responsibility of local policy. Experiences of the nascent REDD+ mechanism under the UNFCCC are important to evaluate the practical feasibility of incentive-based instruments for the provision of other ecosystem services.

In developing countries particularly, insufficient measures for protecting and restoring forest ecosystem services are in part the result of a lack of funding for developing and implementing such measures: should the

international community provide financial support for their implementation?

Destructive deforestation and insufficient afforestation are often taking place even though there are official protection laws and measures: how can the problems of weak public institutions, corruption and missing property rights be overcome? And do incentive-based policy measures for the protection of ecosystem services promote better enforcement of existing regulation?

GESolution 1

Focus on protecting and restoring the remaining natural forests, rather than on new plantations.

While new plantations are needed and while they can help reduce the pressures on natural forests, planting trees somewhere else to substitute for natural forests cannot replace the biodiversity and habitats destroyed.

Importantly, the one-time carbon emissions released when natural forests are cleared and burned dwarf the annual carbon sequestration potential of plantations that replace them. This is particularly true for humid tropical forest and most importantly peatland forest.

The same holds true for the destruction of irreplaceable genetic information (biodiversity) when natural forests are cleared as plantations are only able to reproduce a very small fraction of the original biological richness, especially in megadiverse countries and environments. Furthermore, for biodiversity and habitat protection, it is equally important to prevent forests from being divided into many small patches as continuously forested areas are important corridors for many species. Existing plantations should be further developed so that they are able to support the natural functioning of forests. This could be a valuable part of the solution to reduce pressures on natural forests.



1. Protecting and Restoring the World's Forests

GESolution 2

To avoid “leakage effects” into natural savannahs and grasslands, include protection of these biomes in the design of forest protection policies.

The exclusive protection of forests might lead to “leakage effects.” These are defined as an increase in the destruction of other biomes with irreplaceable biodiversity, such as natural savannahs and grasslands, if agricultural development or other activities are diverted from forests resulting in habitat conversion elsewhere. The inclusion of natural savannahs and grassland in the design of forest protection policies can help to overcome this problem.

GESolution 3

Strengthen land rights, access to legal markets, finance and technology to support the role of sustainable use of forest resources as a secure long-term income source for local communities.

Local communities have proved to be a key element in forest protection as forests provide them with income sources and food. To enhance the sustainable use of forests, different measures are necessary.

First, land tenure rights need to be strengthened in many parts of the world to allow secure investment in the sustainable use of forest resources and empower communities to exclude external agents of deforestation.

Second, access to legal markets for forest products and combatting illegal logging are key elements for converting sustainable logging and extraction of other forest nontimber products such as resins and fibers, into a profitable activity.

Third, access to legal markets also implies access to finance so that it becomes possible to invest in sustainable forest management.

Fourth, access to innovation and technology is necessary for efficient and sustainable activities.

GESolution 4

Expand the REDD+ initiative for forest preservation with contingent payments based on proven performance beyond deforestation to forest degradation and carbon stocks.

The major difference between REDD+ and previous initiatives for forest preservation is that payments are solely intended to be based on proven performance. REDD+ and the possibility of receiving funds for forest preservation have increased the importance of forests on the agenda of governments in countries with rich forest resources.

One major challenge related to the implementation of REDD+ mechanisms is the potential undervaluation of biodiversity-rich forests. Lower payments might be dedicated to forest areas that are at lower risk of being converted, while forest areas where construction of infrastructure or mining is very likely obtain higher payments in cases where this threat is used as a pressure medium. Projects and programs should not only focus on deforestation but also account for forest degradation and carbon stock, as well as species richness and irreplaceability of biodiversity.

GESolution 5

In the short term, promote funds such as the Amazon and the Forest Investment Program (FIP) Funds to finance forest protection projects.

One of the major problems for the practical implementation of REDD+ is the strong dependency of the instrument on global climate negotiations,



1. Protecting and Restoring the World's Forests

which have not yet reached an agreement. To get REDD+ to be more effective in the short run, international funding and engagement of governments are essential because the voluntary market for carbon credits is limited.

A fund such as the Amazon Fund in Brazil can be helpful for financing projects in the short run. Large funds nevertheless are often complex to manage and inefficient to support local stakeholders' initiatives. More flexible, dynamic and efficient trust funds and sinking endowment funds, designed to support protected areas and local initiatives are other promising solutions. But in the long run, under a new climate regime, a "cap and trade" system would provide a bigger source of funding for REDD+ efforts.

GESolution 6

To protect forests more effectively, coordinate measures between different government institutions, establish effective monitoring systems and ensure short-term law enforcement.

Beyond the implementation of individual projects, better coordination between different ministries and institutions is crucial to the implementation of effective measures to prevent deforestation. Brazil is an example where the coordination between different ministries of measurements to prevent deforestation was key to the reduction in deforestation rates in the Amazon.

An effective monitoring system, together with short-term law enforcement when deforestation activities are detected is a crucial element in Brazil but it is not enough. Further instruments are needed to support those already implemented, such as active international repression of the illegal timber market and incentive of reliable certification of timber and other forest products.

One possible channel to enhance sustainable industries might be public procurement of traceable forest products. Tax incentives and investments

in education and technology development are crucial. Public awareness and active repression of the criminal global network responsible for tropical deforestation is essential. But there is always a trade-off between additional gains in protecting and restoring forests through the implementation of instruments and a resulting increase in bureaucracy.

GESolution 7

Adopt and strengthen the use of international certification schemes for sustainable origins of forest products.

International demand for wood and paper products is another key driver of deforestation and forest degradation in many parts of the world. This makes the strengthening and improvement of international certification schemes, such as the Forest Stewardship Council, an important solution. Responsible companies have a strong interest in higher visibility of sustainability standards. Financial institutions and watchdog organizations could use a guarantee of sustainable production as a criterion for their services.

GESolution 8

In the context of a new information-based, low carbon emission economy, promote biodiversity as a prominent strategic target in global and regional development policies and planning.

Public and private investments in applied research and capacity building are needed to transform biodiversity into concrete economical and development opportunities. In the short term, efforts in identification of conservation targets and priority preservation areas have to be made to achieve a minimization of biodiversity loss. In the long term, advances of biological compounds and molecules with potential efficiency to combat diseases and enhance the quality of human life have to be achieved.



1. Protecting and Restoring the World's Forests

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2. Exploring Energy Resources in the Arctic Ocean



Challenge

As temperatures rise with a changing climate, Arctic sea ice melts. As a consequence, the once ice-covered Arctic Ocean becomes increasingly accessible, with implications for various economic sectors. In particular, the oil and gas resources below the seafloor have whetted the appetite of the littoral states—Canada, Denmark, Norway, Russia and the United States—as well as outsiders, such as China and the European Union, which are developing or rethinking their Arctic strategies.

A race to claim large parts of the Arctic Ocean's seafloor has begun. But the special conditions in the Arctic—low temperatures, ice and icebergs, lack of infrastructure and environmental risks—influence the extraction of resources, making it more expensive and risky.

How will energy from the Arctic Ocean affect global markets for oil and natural gas? What role can energy from the Arctic play in the energy security of the littoral states and their potential buyers? Is it realistic to produce hydrocarbons without unforeseeable risks to Arctic ecosystems, which are already under great stress from climate change and receding sea ice? What rules are needed to prevent environmental catastrophes and how can they be enforced?

In contrast with the Arctic Search and Rescue Agreement, there is, as yet, no comparable agreement on emergency prevention, preparedness and response. How can the effective treatment of catastrophes, such as oil spills in the Arctic, be secured? How should the responsibility, liability and burden of emergency preparedness programs be distributed, both among states and among stakeholders? Is the present framework of the UN Convention on the Law of the Sea fit to deal with territorial claims from states littoral to the Arctic Ocean and how will it have to be reformed?



2. Exploring Energy Resources in the Arctic Ocean

GESolution 1

Redo the “math” of offshore oil extraction in the Arctic (taking account of all costs, risks and benefits) through a comprehensive dialogue between all stakeholders.

To date, the business case for Arctic oil and gas has been made with assumptions about world demand for energy from fossil fuels, as well as cost and risk assessments that could be disputed. Under the scrutiny of the general public, companies, states that issue licenses and regional governments or administrations involved, should transparently reestimate the costs, risks and potential benefits of Arctic drilling. This has to include external costs and risks for which firms are not yet commonly liable, such as risks to the Arctic ecosystem.

The past teaches that if drilling goes ahead, an accident will happen sooner or later. It would make sense for producing firms to be liable for all costs that occur after a spill. There is a possibility that under such a perspective, drilling in the Arctic might not be economic in many cases. Such a holistic approach will require a structured dialogue between actors that might have conflicting interests or different time frames: companies, policy-makers, scientists and civil society.

GESolution 2

Rather than imposing particular technical solutions and standards, Arctic countries need to stipulate performance-based regulation and standards for drilling activities and ensure that operating companies bear the full costs of any incident.

Experience gained in other environments, including the North Sea, suggests that imposing specific technologies on offshore oil and gas producers is a very inflexible way to mitigate the risks of an oil spill. It also puts much of the responsibility for identifying the best possible technologies on the regulator. Performance-based regulation instead uses the

ingenuity of the companies by encouraging an environment where there is competition to reduce the risks of an accident.

A central problem is to find suitable indicators that might encourage companies to invest in precautions instead of taking high risks and cleaning up after an accident has happened. At present, preparations taken by the energy exploration and production industry are not adequate. Moreover, many of the conventional contingency plans will not be feasible in the icy waters of the Arctic Ocean.

The implementation of performance-based regulation would mean that the operators have to develop processes and management systems that can ensure that the objectives of the regulations are met. It also implies that the industry would be made fully responsible for its activities, if it is combined with various ways to apply sanctions by the authorities.

GESolution 3

Limit drilling to the least risky regions, where there is no ice or little enough ice to make effective ice management possible.

A moratorium on production of oil and gas in the whole Arctic Ocean will not be accepted by the littoral states. But the history of offshore drilling accidents in other (easier) regions of the world suggests that they are a realistic possibility. Whatever contingency plans there may be, it is doubtful that they will be adequate to the challenge of a distant, icy and dark environment. Most conventional measures will be ineffective for fighting a spill the Arctic.

Since a complete moratorium seems to be unrealistic, limiting production to places with favorable ice conditions is the minimum that is advisable. Ice conditions have to allow at the very least for effective management of icebergs and floating ice, including ridges, using existing technologies, such as ice breakers, and building production facilities that can be quickly and safely disconnected.



2. Exploring Energy Resources in the Arctic Ocean

GESolution 4

Invest in research on secure extraction of conventional resources, on renewable energy technologies and on how to capture leaking methane.

Investments are needed in research on how to optimize extraction of conventional resources but mostly on renewable energy sources (such as wind energy, already a promising field in the Arctic, both onshore and offshore), as well as in the exploitation of methane.

Methane leaking from the Arctic in the course of the melting the permafrost poses a severe risk to the climate. At the same time, it represents a large-scale energy deposit that awaits tapping. At present, no technology is available to capture that leaking methane. To begin to exploit this resource, research must be done on such technologies. Exploiting Arctic methane would incur the same advantages as exploiting subsoil gas from the Arctic Ocean in terms of distance and availability but (it is hoped) with substantially less risk.

GESolution 5

The members of the Arctic Council should continue their efforts towards reaching binding agreements and recognize the necessary balance between national and common interests by accepting new observers.

The Arctic Council is the main policy forum in the High North. Over the years, it has evolved from a forum that discusses and provides scientific assessments to what is now becoming a rule-making body, under the auspices of which binding international instruments can be negotiated to address specific policy needs in the region. A search and rescue agreement is already in effect; an agreement on oil spill response is on the way; and there may be more to come.

The membership of the Arctic Council needs to reflect the rising importance of the region to non-Arctic states and consider their existing or potential contribution in terms of research and expertise. The European Union, China, South Korea, Italy and others are interested in becoming observers. The European Union, for example, has contributed more than €200 million in research over the last 10 years.

Consistent with its origin as the Arctic Environmental Protection Strategy, the Arctic Council should come to a consensus on how to associate more parties to guarantee a sustainable future for the High North. Furthermore, it is important to recognize that solutions for any human activities in the Arctic Ocean involve a balance between national interests and common interests.



2. Exploring Energy Resources in the Arctic Ocean

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3. Reassessing Renewable Energies



Challenge

Two thirds of global electricity is generated from fossil fuels. This implies that more than 40% of global carbon emissions from burning fossil fuels stem from electricity generation. While there is potential for efficiency improvements, global demand for electricity is expected to rise, which will further aggravate the problem, especially in developing countries.

To reduce carbon emissions from electricity, energy generation from coal and to some extent from natural gas will have to be replaced by low-carbon alternatives, including hydropower, bioenergy, solar, wind, nuclear and “carbon capture and storage” (CCS). Globally, there is easily enough potential to meet global electricity demand by using solar or wind energy or other generation options, such as biomass or geothermal.

At present, electricity generated from renewable sources is more expensive than conventional electricity. This would be even more the case with high shares of intermittent electricity (for example, fluctuating wind or solar energy) since additional storage and/or backup capacity would also need to be priced in.

But renewable energy is more scalable than large centralized systems and can thus be deployed on a more decentralized basis close to the consumer. In developing countries particularly, decentralized systems are able to improve access to electricity.

What is the optimal energy mix, now and in the longer term? Should the world follow Germany and phase out nuclear—or follow China and phase in nuclear?

CCS would allow for continued use of fossil fuels. But the technology has yet to prove its feasibility on a commercial scale: its costs are uncertain; and underground storage of carbon might also be unacceptable to local people. Might building fossil fuel power plants also worsen “lock-in” effects in energy generation?

What are the implications of the optimal mix of renewable energy investment and policy? Could small-scale renewable sources, such as bioen-



3. Reassessing Renewable Energies

ergy, play an important role in decentralized systems for the reinforcement and sustainability of towns and rural communities?

Can the experience of Brazil and other countries be transferred elsewhere and scaled up? If so, what steps need to be taken to establish a regional project, which on a large scale would help to solve the global problems of distribution and use of renewable energy? What framework is needed to enhance international coordination and should there be an underlying global legal framework?

GESolution 1

Finance the transition to renewable energy by redirecting fossil energy subsidies and, especially in developing countries, by using international oil revenues.

Renewable energy still comes at a higher cost compared to conventional energy. At present, several (developing) countries sell domestically produced oil at a price below the world market price for domestic use. If this energy is replaced with energy from renewable sources, the oil could be exported and sold at the higher international price. The price differential gained from selling the precious resource rather than using it at home could help to finance the transition to renewable energy.

On a global scale, annual energy subsidies add up to US\$500 billion. Part of these subsidies could be rerouted into renewable energy. In general, subsidies for fossil fuel energy should be reduced as they provide an incentive for the overuse of energy.

GESolution 2

Start building up an environmentally sustainable capital stock of power plants for the future.

The longer the wait for the energy transition, the higher will be the cost. This is due to the fact that the capital stock of power plants is very long-lasting and changes in the composition of the generation system have long-lasting effects. To avoid “lock-in” to technologies that may no longer be wanted, transition should start early. This also applies in emerging economies as these countries are building up their capital stock for future use. Thus, it is important to build the “right” capital stock as it will be in place for decades and will predetermine future carbon emissions.

GESolution 3

Local circumstances should dictate the renewable energy mix.

Different countries will have a different energy mix in the future. Depending on their geographical location, some will be more suited for using bioenergy while others will be better suited for solar and/or wind power. It is therefore necessary to research an array of technologies. For some countries, increased trade in renewable electricity will also be a cost-effective option for mitigating fluctuations or generating electricity in regions that are abundant in sun, wind or biomass.



3. Reassessing Renewable Energies

GESolution 4

When evaluating renewable energy sources, adopt a holistic approach, considering all the potential contributions to sustainability and all the potential stumbling blocks rather than focusing only on climate change.

Renewable energy has to be seen in a broader context and should not be reduced to delivering climate-friendly energy. Climate change is only one of the planetary boundaries that have already been crossed; there is also strong pressure from biodiversity loss. Thus, the whole ecosystem has to be looked at: “climate is critical but not the totality.”

Rather than framing the reduction of carbon emissions as the only and ultimate goal that renewable energy should achieve, stronger emphasis needs to be placed on the many additional benefits, such as reducing air pollution in developing countries, connecting those that do not yet have access to electricity and many other sustainability targets.

This broader perspective does not apply to the wider benefits of renewable energy but also to its potential downsides. For example, bioenergy should be analyzed in a framework that ensures sustainable and secure food and energy provision.

Panelists



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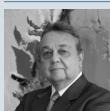
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4. Promoting Food Security: The Contribution of Climate-Smart Agriculture



Challenge

The world's population is expected to grow from the current seven billion to 9.2 billion by 2050. At the same time, consumption patterns are shifting towards diets containing more protein. So the Food and Agricultural Organization estimates that meeting the growing global demand for food requires a 70% increase in total agricultural production.

Land productivity has increased considerably over the past six decades, with food production doubling while agricultural land only increased by 10%. But both agricultural yields and the stability of production are threatened by changes in precipitation, temperature and extreme weather events arising from climate change. Regions with low and stagnant agricultural productivity and therefore high risks of food insecurity, including large parts of Africa, are expected to be the most affected.

How can food security in these regions be improved sustainably in the light of such threatening trends? How can agriculture in climate-vulnerable, food-insecure regions be improved to enable farmers to adapt to a changing climate, while reducing their own contribution to climate change and using scarce resources, such as mineral fertilizer and water, in a sustainable way?

At the United Nations Climate Change Conference in Durban in 2011, the need to link efforts to preserve and enhance food security, as well as adaptation and mitigation activities in the agricultural sector, were discussed under the term "climate-smart agriculture." How can climate-smart agriculture systems, techniques and policies practically help to enhance food security in the most climate-vulnerable regions through adaptation and mitigation? And how can they be integrated into existing national and regional agricultural policies and strategies?

Since the relevant regions are dominated by resource-poor smallholders, it is vital to assess whether they are prepared and how they can be enabled to make the transition to climate-smart agriculture. Key questions include how investments in new technologies and methods can be financed, how knowledge gaps can be filled and what institutional support is needed.



4. Promoting Food Security: The Contribution of Climate-Smart Agriculture

GESolution 1

Shift the focus of support away from large-scale projects towards promoting small-scale farmers' inclusion in markets and value chains, as well as their access to support, extension and credit.

With smallholders likely to continue to play a dominant role in most vulnerable countries, they will need to be integrated into markets better. At present, some smallholders suffer from so-called “land grabs” or are effectively excluded from markets. But they can benefit from market integration into international value chains.

Some large multinationals already source from smallholders and thereby secure their supply. But to improve effectiveness and scale, provision of international funds, adapting national policy frameworks to provide the right incentives and strengthening civil society to play a larger role have to be involved in supporting small farmers in access to credit, markets and extension.

This also requires adapting funding to small-scale farmers' needs instead of big projects. This is inherently more complex and difficult to achieve because smallholders are a large diverse group and because politicians tend to prefer large solutions that are easy to communicate. Here, international institutions can encourage governments to take more account of their small farmers.

GESolution 2

Harness the support of the BRICs and the private sector in financing and implementing climate-smart agriculture.

Climate-smart agriculture is becoming an important issue on the international agenda but so far it is only at the stage of recognition. To spur action, it needs to move to the implementation stage. In times of fiscal

constraints in the western world, the BRIC countries (Brazil, Russia, India and China) and the private sector could make an important contribution, both in financing and expertise.

GESolution 3

Promote “sustainable intensification” to ensure productivity increases in harmony with the environment.

Sustainable intensification, i.e., producing more output from the same amount of land while improving environmental outcomes, is the key to a combined solution for the challenge of a growing, wealthier population and the challenge of climate change. In particular, unintended environmental consequences of potential improvements, such as loss of forests through indirect land use change, have to be kept in mind and prevented by governments and international organizations. To adapt to larger climate variability, improving water productivity and water storage forms part of sustainable intensification. As with the other proposed solutions, adapting to small-scale agriculture is most important.

GESolution 4

Adopt tailor-made local solutions instead of one-size-fits-all approaches.

There is no one-size-fits-all solution for designing strategies to enhance food security and to adapt agriculture to climate change. Thus, when designing national and international strategies, local stakeholders need to be involved to identify the climate-smart options that best fit their agroecological and socioeconomic environment. Examples show that successful solutions are specifically designed to fit the local situation of the environment, land tenure, institutions and government support. This is particularly important because solutions have to be suited to a large number of diverse small-scale farmers and countries.



4. Promoting Food Security: The Contribution of Climate-Smart Agriculture

GESolution 5

Support small-scale farmers in accessing and using existing know-how to improve their productivity sustainably.

Techniques and management for resilient and adapted agriculture needed at the farm level are known, so there is a bundle of options to choose from depending on the specific situation and circumstances. Local and international institutions need to invest in support systems to enable small farmers to adopt them, including constant monitoring and more financing for technical support.

Background

Getting the institutions right is vital for any solution's success. The productivity improvements that are needed can be achieved using existing solutions for agriculture and water management but only when the relevant political and institutional actors have a strong interest and bring together their resources to design good policies and institutions.

This can also ensure that food security remains at the center of climate-smart agriculture and that the focus on "climate" does not distract attention from food security. For example, biofuels may be able to deliver both cash and food, when rotated with food crops and managed efficiently and thus the food-fuel tradeoff may be reduced significantly.

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GES | 2012/2013

The Global Economic Symposium (GES) is a research-based solution forum. It aims to give new impetus to global problem-solving.

This book summarizes the innovative proposals generated by the GES 2012. The proposals aim to provide shared visions of the future, which are meant to inspire cooperative efforts to address global problems. They point to practical, feasible actions towards well-defined goals.

