
Global Risk Report 2021

NOTES

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TRANSFORMATIVE INITIATIVE AND
SUSTAINABLE DEVELOPMENT

POVERTY AND HUMAN DEVELOPMENT MONITORING
AGENCY

1 Key Concepts

- The Global Risks Report 2021 born out as a series of consultations with regional and thematic experts from the public and private sectors. contains an ideation about global risks and stratifications, analysis on economic, social and technological inter linkages, connections and extrapolates on the ways to move towards resolving them through global, local and regional co- operation, and social cohesions. The report incorporates the Global risk perception survey (GRPS) and based on the analysis the report concludes with proposals for enhancing resilience, drawing from the lessons of the pandemic as well as historical risk analysis. The idea behind the report were to inform decision making and provide a perspective on how short- term risk national priorities may compare with global risks and perspectives.

- The 17th edition of the Global Risks Report 2021 identified tensions that resulted from diverging trajectories and approaches within and between countries and then examines the risks that could arise from such tensions. This year's report also highlighted the implications of these risks for individuals, governments and businesses and as well tackling polarization and misinformation.

- The 2021-2022 GRPS included the following sections (The risk perception analysis on COVID-19 invited respondents to opine on the reverberations of the crisis, allowing comparability with the results from the previous year, Future Outlook section captured respondent sentiment, informing analysis of how individual contexts may influence global risk perceptions and affect mitigation, Futuristic reverberations captured respondents' perceived trajectory and sense of urgency of global risks, informing our analysis of choices and trade-off that decision makers may face. Severity ranked potential damage while its effects took into respondents perspective to consider cascading impacts in conjunction with the severity of the risk itself, International Mitigation asked respondents to assess international efforts in 15 global governance areas to identify achievements and areas of opportunity for global action and cooperation. They were mostly open questions on risks, trends and warning signs as well as sources of expert knowledge.

- Reflections on global preparedness were analyzed by looking at four key areas of the response to COVID-19: institutional authority, risk financing, information collection and sharing, and equipment and vaccines. The report then looks to national- level responses acknowledging the varied starting points for individual countries and draws lessons from five domains: government decision-making, public communication, health system capabilities, lockdown management and financial assistance to the vulnerable. The response to COVID-19 offers four governance opportunities to strengthen the overall resilience of countries, businesses and the international community: (1) formulating analytical frameworks that take a holistic and systems-based view of risk impacts; (2) investing in high-profile risk champions to encourage national leadership and international co-operation; (3) improving risk communications and combating misinformation; and (4) exploring new forms of public-private partnership on risk preparedness.

- The survey, part of the report, looked into five risks that could pose a critical threat to a country in the next two years. The WEF's Executive Opinion Survey (EOS) was conducted between May and September 2021 and involved 12,000 leaders who were asked to pick from a list of 35 risks.

- This year, 12 new risks were added as a result of observed economic, geopolitical, societal and technological trends, as well exacerbated or emerging trends from the COVID-19 crisis that have the potential to have long-term effects. These new risks that invited the opinions of respondents were on: (1) collapse of a multilateral institution (2) collapse of a systemically important industry, (3) collapse or lack of social security systems (4) digital inequality, (5) digital power concentration (6) failure of technology governance (7) infrastructure of interstate relations (8) geo-politization of strategic resources (9) pervasive backlash against science (10) prolonged economic stagnation (11) mental health deterioration and (12) youth disillusionment.

2 Perceptions

- In some societies, rapid progress on vaccination, leaps forward on digitalization and a return to pre-pandemic growth had been key to usher in better prospects for 2022 and beyond. Others could be weighed down for years by struggles to apply even initial vaccine doses, combat digital divides and find new sources of economic growth.

- Amongst global risk perceptions the highest likelihood risks of the next ten years were of extreme weather, climate action failure and human-led environmental damage; as well as digital power concentration, digital inequality and cybersecurity failure. Among the highest impact risks of the next decade (2020 - 2030), infectious diseases rated the most high on the scale, followed by climate action failure and other environmental risks; as well as weapons of mass destruction, livelihood crises, debt crises and IT infrastructure breakdown.

- According to the GRPS, growing digital divides and technology adoption pose concerns and the risk of “youth disillusionment”, which will become a critical threat to the world in the short term. Hard-fought societal wins could be obliterated if the current generation lacks adequate pathways to future opportunities and loses faith in today’s economic and political institutions. Widespread youth disillusionment and digital inequality were among the top five risks for India, according to the report resulting from risks like fracture of interstate relations, debt crisis, and failure of tech governance.

- GRPS respondents rated “state collapse” and “multilateralism collapse” as critical long-term threats. One of the takeaways were to champion multilateral cooperation in trade, diplomacy, climate, security and, most recently, global health in the midst of geo political tensions/ polarization and enforce resilience, to facilitate global recovery.

- In the medium term, respondents to the GRPS rank “tech governance failure” as a top critical risk. Policy-makers also now have more incentives for increasing scrutiny, with growing concerns about antitrust issues, digital harms, disinformation, and foreign ownership implications for national security and data privacy. They could opt for tougher regulation or even attempt to break up these companies in a bid to improve oversight and strengthen competition, aiming to benefit innovation and consumers. Geopolitical schisms could make for different playing fields in different parts of the world. Businesses may need to prepare for panic in financial markets and altered sales reach, as well as identify alternative service providers if they exist in the short-

term disruption following government intervention.

- To regenerate the business risks emanating from these trends amplified by the crisis were to develop markets, from small businesses/scratch, bridging the gaps between major and minor companies and find keys in market dynamism, and reducing inequalities amplifying sustainable development.

- According to the report education systems worldwide are set to undergo a challenging structural transformation underpinned by widespread adoption of online learning. Physical mobility—another channel for economic advancement is at risk too. “Digital inequality”—ranked as the fifth most concerning short-term threat to the world. One of the key interventions could be preparing youth for a drastically changed labour market, and economic transformation towards greener energy and infrastructure. Respondents to the GRPS believe managing these trade-offs between, debt crisis, social security, digital inequality, triggering livelihood crisis, governance are key concerns and have greater impacts.

3 Preparedness

- Global preparedness is elaborated by looking at four key areas of response: institutional authority, risk financing, information collection and sharing, and equipment and vaccines. Response to risks like a pandemic requires effective global cooperation, information sharing and coordination, and at times of urgency, the multilateral system faces to function in a way that is commensurate to the scale of global crises, like for example the budgets, and economic and development costs, mobilization of health services, supporting households all the while strategizing on preparedness for the next emergency.

- Frameworks. Formulating detailed analytical frameworks that take a holistic and systems-based view of risk impacts will help to surface potential dependencies at a fitting moment, spill-over consequences, vulnerabilities and blind spots. This is critical in environmental risk mitigation, for example, where interventions such as developing climate-resistant crop varieties could impact food system resilience. Multilateral institutions, public-private arrangements and civil society all have a role in facilitating such systemic outlooks. Holistic analysis provides a foundation for stress-testing assumptions; identifying and comparing the trade-offs required by different mitigation proposals and examining responsive capabilities against emerging crises and forward-looking scenarios.

- Investing in high-profile risk champions who can bring together different stakeholders to spur innovation in risk analysis, financing and response capabilities, and improve relationships between scientific experts and political leaders. The report proposed the concept of a “National Risk Officer” with a remit to enhance resilience by improving the decision-making culture. Risk champions should be positioned before the frenzy of the next crisis whatever it proves to be yet, even with risk champions in place, the importance of leadership.

- Exploring new forms of public-private partnership on risk preparedness in technology, logistics

and manufacturing. The pandemic has shown that innovation can be sparked when governments engage the private sector to respond to large-scale challenges—if risks and rewards are shared fairly and appropriate governance is in place. Vaccine deployment will be a test case in resiliency: while it will raise new challenges, partnerships could prove effective in meeting demand for glass vials, managing cold-chain logistics, recording doses given, and even countering vaccine hesitancy. The COVID-19 crisis also highlighted the need for greater coordination on financing to improve resilience and expedite recovery, from pre-emptive investment and contingency budgets to insurance pools with government backstops.

- Governments across the world are ramping up protection for consumers and increasing regulatory pressures on digital markets in response to the potentially deleterious societal impacts of digital dependency and influence. Regulatory techlash risks internet restriction, information censorship and cut communications. In its draft Digital Markets Act, the EU championed on clamping down on anti-competitive behaviors in the realm of tech and business governance.

- Impact studies could improve understanding of the implications of new technologies for societies and human rights. Such approaches would require building public sector capabilities to assess the benefits and risks from an accelerated digitalization of social interactions; and to improve the regulation. Basic education and lifelong learning can increase digital literacy and play a critical role in closing digital divides. Increasing access to digital content as well as using the AI, machine learning and biotechnology evolve, could lead us think critically about the supply and consumption of digital content.

- By integrating marginalized and vulnerable groups into technology development—including those of different ethnicities and genders—companies are reducing bias and promoting access to emerging technologies. The business case for such collaborations is that they help to make technology more user-centric and easier to adopt. COVID-19 contact-tracing apps have already shown how open-source approaches and monitoring mechanisms can work even with proprietary code, helping to make technologies more inclusive and representative.

- The year 2020 saw unprecedented challenges to the global education system and health risks which grew in people. During the first wave of pandemic lockdowns, 80 were out of school, as traditional classroom teaching was rendered mute. Despite worldwide adaptation for remote teaching via television, radio and internet, there were stark regional differences in capacity; at least 30 participate in digital and broadcast learning. While adaptive measures allowed schools to re-open eventually, many challenges remained throughout subsequent waves of COVID-19. Labour market distortions narrowed employment opportunities for young adults: a deficit of employment opportunities for highly educated youth in some sectors, and a “skills crisis” in others. New ways of learning have the potential to be more inclusive, adaptive and comprehensive, enabling students to develop 21st century skills such as creativity, innovation and advanced inter-personal skills. However, it is more critical than ever for the public and the private sector to invest jointly in ensuring connectivity for all youth.

- Investment in educational technology must be accompanied by adaptations of the physical educational infrastructure so schools can continue to offer in-person services while harnessing the

potential of infrastructure/industrial revolution. To be successful, schools must maintain their critical role in providing nutrition and physical and psychological health services. - The economic downturn is accelerating a greater pivot inward for many governments as they seek to maintain fragile domestic political and social stability. GRPS respondents ranked “livelihood crises” and “prolonged stagnation” as top short-term risks, and economic concerns figure in four out of the top five medium-term risks.

- Issue-based plurilateral arrangements offer one opportunity. Where transnational challenges lack successful global governance structures, such as regulation of cyberspace and digital information flows, middle powers could lead inclusive partnerships to earn back trust where it has declined. Ad hoc and informal arrangements around shared goals such vaccines, digital and cybersecurity partnerships, and climate change mitigation and adaptation—can contribute to resilience between states by increasing interactions among members of the networks.

- Opportunities also lie with innovative collaborations between state and non-state actors. For example, partnerships involving the private sector and academia delivered the fastest vaccine development process to date. Canada, Germany, Italy, Sweden, and the United Kingdom have pledged nearly US 1 billion to a financing mechanism that will support 92 low- and middle-income countries to access a vaccine. And many middle power governments are partnering with sub-national entities and investors on initiatives to tackle climate change. Green investment plans could offer a resilience win-win for public and private actors to adapt to and mitigate the impacts of climate change, still the greatest threat facing the world in the decades to come.

- With governments still deliberating how best to pivot away from the current emergency footing that they have created beneath much of the world’s economy and workforce, and with companies anticipating a much-changed business landscape in the future, avoiding these potential outcomes. New challenges to doing business are likely to emerge from three key sources: national agendas, technology that is running riot, and heightened public scrutiny. - The pandemic has strengthened the mandate of states to safeguard national economic well-being. Both survival and recovery are critical, and pressure is mounting to ensure both aspects in a post-pandemic world while at the same time keeping a firm eye on national security. How governments manage the challenge of stemming the losses arising from COVID-19 while prioritizing future-oriented stimulus packages will shape the risks that individual companies face. Micro, small and medium-sized enterprises (MSMEs) have been hardest hit by COVID-19 which are essentially the largest employers in many countries.

- The transformation of businesses and industries requires agile and distributed workforces, hybrid working options, and comprehensive reskilling and upskilling of employees. Companies will need to rethink their physical space and organizational design as they transition employees into new roles and navigate the opportunities of automation and digitalization—without reinforcing the systemic inequalities laid bare by COVID-19. These opportunities can help deliver on the promise of multistakeholder capitalism—facilitating a shared and sustained value creation that strengthens a company’s long-term prosperity. Businesses that reflect societal values, with clarity of purpose not merely empty rhetoric, can support a broad-based and sustainable economic recovery and growth, as well as the strengthening of societal trust and reduction of

inequality. Such outcomes are critical for meeting current and future crises.

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