

BALANCING ACT: APPLYING THE PANDEMIC'S LESSONS TO POLICY

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In the final session of AIFED 2022, panellists discussed how governments are navigating near-term challenges while still progressing towards a long-term vision.

Lessons learned from the pandemic and the role of governments in transformational change were central to the final session at the 2022 Annual International Forum on Economic Development and Public Policy (AIFED).

The discussion brought together Indonesia's vice finance minister Suahasil Nazara, Australia's assistant treasurer Stephen Jones and the World Bank's chief economist for the East Asia Pacific region Aaditya Mattoo.

Prospera director David Nellor moderated the session and highlighted the need for policymakers to think outside traditional silos.

"A key characteristic of the present policy context is the interconnectedness of issues," he said.

"For example, climate and food security will be linked as climate impacts the location of agriculture," he said.

The need for governments to think equitably and plan for the winners and losers created by forthcoming transformational changes was also highlighted.

"In Indonesia, we're going from producing internal combustion engines to electric vehicles; we're going from mining coal to producing renewables," Mr Nellor continued.

“Coal miners may get laid off in Kalimantan but the new jobs in renewables could be on Java. This will create big challenges and Australia faces some of these same issues.”

Stephen Jones also reflected that while the benefits of decarbonisation are global, the costs and burdens of decarbonisation are very localised.

“concentrated in communities energy-intensive manufacturing and coal mining,” he said.

“Ensuring they’re not being left behind in the transition is absolutely critical... otherwise the economic policy of decarbonisation will fail.”

Deliver now to deliver later

Mr Jones emphasised that democratically elected governments must meet near-term policy challenges to have the licence to deliver on long-term ambitions.



“Our response to the inflation issue is ensuring fiscal policy is not pulling in the opposite direction to monetary policy. Disciplined fiscal policy ensures we have a cap on spending,” he said.

“To the extent that there is new spending, it is directed towards productive investments: labour market skills and training; and capital deepening, particularly in the technology and energy-generation sectors.

Suhasil Nazara said his government’s current administration is focused on medium-term priorities and fostering new growth areas that will bring benefits to Indonesia as whole, including in digitalisation and green industries.

“The current government needs to ensure foundations for continued infrastructure spending for many years to come,” he said.

“Infrastructure must be provided by the government with options for inviting the private sector. If you look at the Indonesian fiscal tools in the last five to 10 years, they allowed private participation.

“In the past, if state-owned enterprises had a problem they asked for cash injections, now we offer many other things – loans, guarantees, public-private partnerships.”

Public support for a public good

The conversation turned to climate change and the energy transition and Aaditya Mattoo urged governments to provide instruments that support the financing of green projects.

“Green requires lots of upfront investment – it’s capital intensive – and interest rates have gone up. That means green has become even more expensive,” he said.

“In this current situation resist the temptation to rely on old coal... by far the most competitively available source of energy today.

“What is dangerous is that even new coal might end up being more competitive than new green, unless we find a way of mobilising finance that drives a wedge between old coal and new coal.”

Mr Mattoo also pointed to a key lesson from the Covid crisis, whereby remarkable technological improvements made vaccines available, but access to them was extremely unequal.

“It would be a deadly disaster if, with these green technologies, access is not widely available,” he continued.

“It’s in the global interest – it’s a global public good – but so was the containment of Covid, it did not prevent self-destructive nationalism.

“We have to make sure the industrial policy motive, which is delivering climate subsidies, does not prevent access to these technologies when they become available.”

