

# Towards a Resilience Doughnut

Recommendations for operationalising and mainstreaming resilience

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In partnership with the Club of Rome

For a long time, the Commission's objectives mainly focused on market integration, economic growth, competitiveness and efficiency. With the Foresight Report, the Commission has initiated an important discussion on the objectives of policymaking in the EU following the Covid-19 pandemic. As the report shows, this paradigm has only limited capacity to address future megatrends and the current crises, including climate change, biodiversity loss, digitalisation, populism, geopolitical polarisation and COVID-19.

A new paradigm centred around resilience entails a shift of perspective. Rather than looking at policy objectives, resilience asks what capacities are needed to ensure key societal objectives are met when responding to shocks. A prosperous Europe is not only sustainable and fair. Above all it is a Europe that has capacities to ensure wellbeing and environmental protection in times of change - through strong social security systems, social and technical creativity and innovation or through robust value chains. The Covid-19 has certainly shown the importance of having such capacities.

To make mainstreaming resilience a success story, it is crucial to get diverse groups of stakeholders on board. The Foresight Report was an important first step. With the Resilience Dashboard discussed in the meeting **"Measuring resilience and its role in the 'beyond GDP' paradigm shift"** hosted by the JRC, the next step has already been taken.

With this brief we provide ideas on how to effectively mainstream resilience through an integrative operationalisation and a comprehensive mainstreaming strategy. Firstly, the benefits of the Doughnut as an integrative framework that links abilities for resilience with policy outcomes will be explained. Following this section, the Resilience Doughnut will be introduced which aims to improve the existing gaps in the Resilience Dashboard from economic, social as well as environmental perspectives. Finally, we outline five strategic recommendations for mainstreaming resilience in the EU.

## Operationalising resilience – the Doughnut as an integrative framework

*"Resilience refers to the ability not only to withstand and cope with challenges but also to transform in a sustainable, fair, and democratic manner"*

There are large number of indicators and policy targets tackling similar goals existing in the EU, such as the European Green Deal, the Social Pillar, the European Semester and the 8th Environmental Action Programme. Consequently, an operationalisation of resilience faces the challenges to be consistently embedded in these existing indicator sets and targets. At the same time, it is important to visualise the complexity of the issue and connect different policy areas to tell a new narrative for progress. We are convinced that the Doughnut Economics Framework can be an inspiration to address both challenges, because;

- It provides a strong picture that makes complex indicators and different objectives easy to understand by synthesising the Planetary Boundaries with the Sustainable Development Goals.
- It is a framework which has already been discussed in the Commission for monitoring the Green Deal.<sup>1</sup> The 8th Environmental Action Plan adopted a similar set of 9 planetary boundaries as its monitoring framework.
- It has already been applied in policy at local level, which can also be transferred to the European level.<sup>2</sup>

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<sup>1</sup> <https://doughnuteconomics.org/stories/29>

<sup>2</sup> [https://www.c40knowledgehub.org/s/article/Amsterdam-s-City-Doughnut-as-a-tool-for-meeting-circular-ambitions-following-COVID-19?language=en\\_US](https://www.c40knowledgehub.org/s/article/Amsterdam-s-City-Doughnut-as-a-tool-for-meeting-circular-ambitions-following-COVID-19?language=en_US)

Figure 1 shows how we have adapted the doughnut framework to the EU. It integrates the key environmental, economic and social policy objectives of the EU. The inner circle (social foundation) recognises the minimum level of societal needs we need to achieve for well-being.<sup>3</sup> These include access to basic goods, political participation, income and employment, gender equality, education, health, peace and networks such as affordable transport as well as digital and social connections. On the outside, there is the operationalisation of Europe’s planetary limits (ecological ceiling). Such limits can be defined for the material and ecological footprint, as well as for land use change, blue water use and phosphorus and nitrogen use. Respecting Earth’s critical life-supporting systems ensures that people in Europe can thrive not only today but also tomorrow. Therefore, EU policies should provide the "social foundation" for all while avoid overshooting the "ecological ceiling".

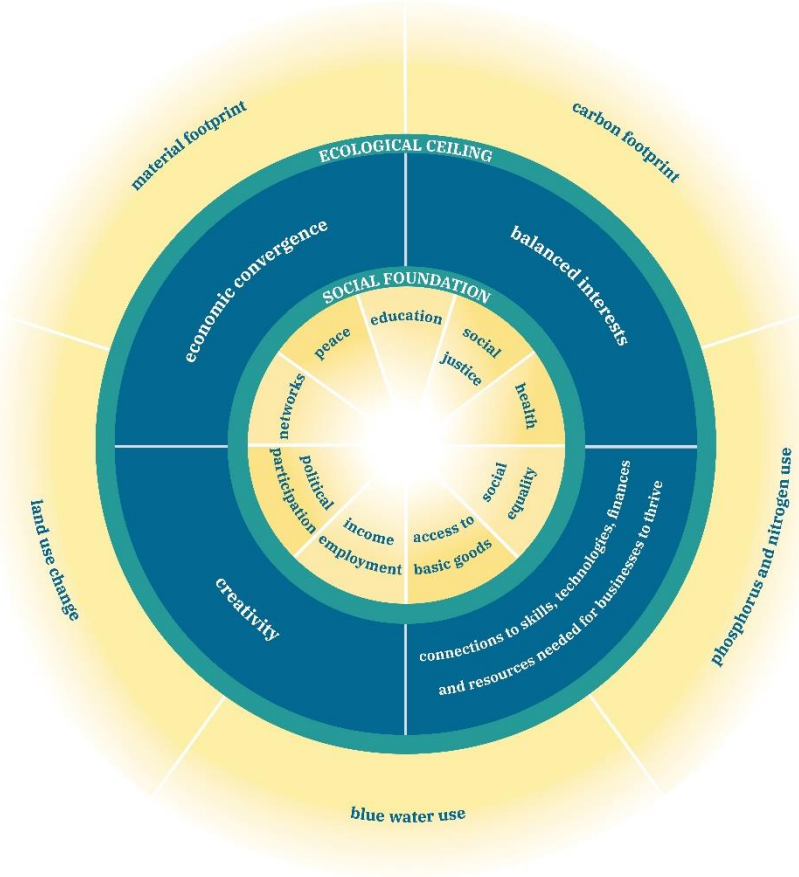


Figure 1: The Doughnut as integrative framework for social, environmental and economic policy objectives

However, an operationalisation of social and ecological objectives alone is not sufficient for the framework to be applicable to economic policy and DGs such as ECFIN and COMP. Therefore, we complement Kate Raworth's framework with four explicit economic objectives that ensure a stable economy: creativity, economic convergence, balanced interests and a high degree of connectivity that allows access to labour, capital, financial markets and resources. Classical elements of economic stability (low inflation rates, macroeconomic equilibria, competitiveness and economic growth) are deliberately conceived as means rather than ends and not included in the picture. This enables the discussion of alternative means for social, environmental and economic policy objectives to take place.

<sup>3</sup>[https://www.systemiq.earth/wp-content/uploads/2020/11/System-Change-Compass-full-report\\_final.pdf](https://www.systemiq.earth/wp-content/uploads/2020/11/System-Change-Compass-full-report_final.pdf)

## Towards a Resilience Doughnut: strength and weaknesses of the Resilience Dashboard

The objectives defined in the Doughnut are merely the starting point when thinking about resilience. In a second step, it is required to define what capacities are needed to ensure societies meet these objectives when reacting to shocks and in times of great transformation. We define this as the 'Resilience Doughnut' shown in figure 2. Based on this figure we will identify gaps in list of indicators of the Resilience Dashboard and provide recommendations for improving the dashboard in line with the Doughnut.

By linking the indicators of the Resilience Dashboard to the objectives from figure 1, we can identify gaps of indicators in the Dashboard. This is shown in figure 2. The circle at the bottom right is an enlargement of the Social Foundation.

The Resilience Dashboard already has a large number of indicators for many objectives (green). However, for many ecological, social and economic objectives there are still too few (orange) or no (red) indicators defined in the Resilience Dashboard:

- From an economic perspective (circle between social foundation and ecological ceiling), there is a lack of indicators that assess what capacities are needed for economic convergence and balancing of interests in times of crisis. In some cases, such as access to labour, capital, finance and natural resources in Europe, the focus merely lies within the question of (critical) resources. The same applies to ensuring a high level of creativity in Europe.
- Regarding the social foundation, the scoreboard does not yet provide answers to the question of peace and access to basic goods such as water, food, housing, mobility and energy. There is also a need for action in measuring resilience capacities for the goals of networks, equity, education and income.
- From an environmental perspective, the scoreboard focuses primarily on the material footprint. What has been ignored so far are indicators showing how blue water use and phosphorus and nitrogen cycles can become resilient. The indicators associated with ecological footprint and land-use change insufficiently address drivers of biodiversity loss such as deforestation of rainforests.

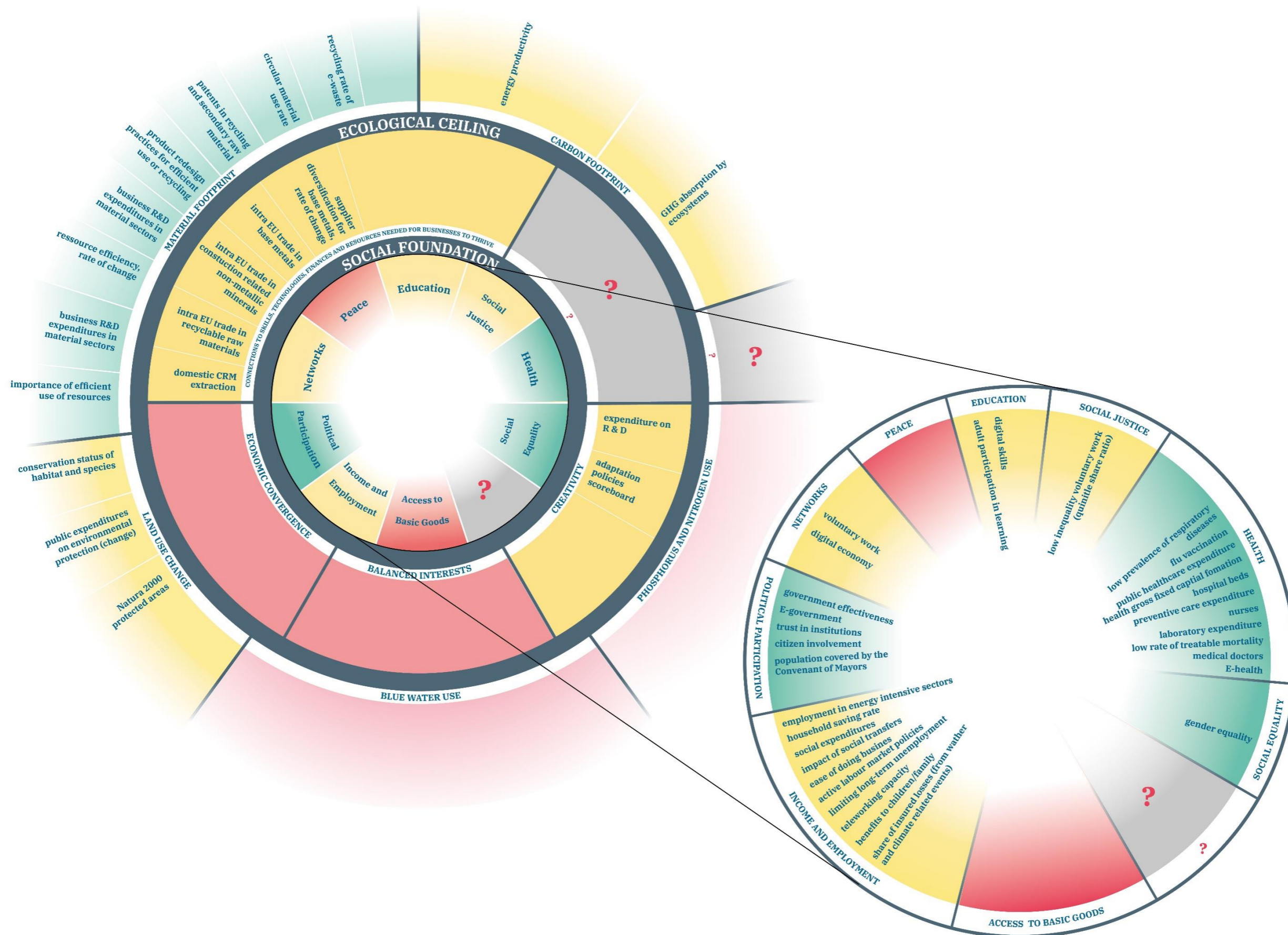


Figure 2: The Resilience Doughnut. The figure links indicators from the resilience dashboard with key social, economic and environmental objectives. Red (orange, green) areas indicate a high (medium, low) gap of indicators in the dashboard.

## Recommendations for improving the resilience dashboard in line with the Doughnut

We recommend to refine the existing list of indicators to fill gaps in the existing dashboard based on the integration of resilience capacities with social, economic and environmental objectives. The following incomplete list aims to provide ideas for additional indicators to improve the Resilience Dashboard.

### Social dimension

1. Trust and social networks: social networks with a high degree of mutual trust could strengthen the ability of communities to support and protect each other – independently from state social systems. At the same time, social exchange is essential for people's well-being.
2. Meaningful and decent jobs: having purpose and meaning in life is a key determinant of individual well-being. Promoting meaningful employment can increase resilience as it increases the diversity of sources that give purpose. The more diverse these sources are the lesser will the loss of one's well-being be in times of crises.
3. Diversity in income sources: job losses have high impacts on individual well-being since provision of income merely depends on employment. Increasing the diversity of income sources (shares, real estate property, insurances, basic income, social security payments) will lead to more resilience to economic shocks with regard to well-being.

### Economic dimension

#### *Balanced interests*

1. Power concentration: to ensure cohesion in societies – especially if the reaction to a crises causes radical change – it is key to balance interests. Metrics to assess the capacity to balance interests could be distribution of influence on policymaking by interest groups and distribution of expenditures for lobbying between interest groups but also income and wealth inequality.

#### *Connectivity and access to labour, capital, finance and resources*

2. Diversity of tax revenues: As long as tax revenues are dependent on few sources, impacts on one source like income tax revenues through unemployment can have strong impacts on public finances. Diversifying the tax base can increase resilience to economic shocks e.g. through the introduction of financial transaction taxes, land value taxes, wealth taxes or gift taxes.
3. Trade network concentration: The resilience dashboard already includes the trade network concentration for base metals. However, higher trade concentration in general has negative implications for resilience. Increasing resilience is about increasing the number of trade-partners for critical goods. This means that the loss of a partner has only limited impact on the availability of the resource.
4. Importance of exported goods: If a country exports globally important (e.g. scarce and critical) goods it has higher leverage in trade deals. On the one hand this leverage makes it less vulnerable to changes in interests of its trade partners. On the other hand it makes it easier to establish new trade links with partners when others opt out.
5. Macroeconomic imbalances: long-term imbalances between exports and imports for the Euro area may lead to a devaluation/upvaluation of the Euro. This can either lead to strong inflation, if imported products become more expensive (devaluation) or to slumps in foreign demand (upvaluation). Both negatively affect the access to either imported products (devaluation) or finances via demand (upvaluation)

6. Stability of the Euro: Economic financing support for the Euro area through the European Central Bank (e.g. quantitative easing) becomes very difficult if the Euro becomes instable. If the exchange rate of the Euro is vulnerable an increase of the currency supply might cause a devaluation of the currency. As a consequence, imports become more expensive which can lead to an imbalanced current account and negatively affect the access to imported goods. Monetary and fiscal policies are more flexible if the exchange rate is less vulnerable.

#### *Economic convergence*

1. Economic complexity: The complexity of member states' production structures increases their capability to produce products that they have not produced before. Therefore, high economic complexity enables economies to adapt more easily to mid- to long-term trends in demand for certain products and markets.
2. Economic diversification of industry structure of MSs: To achieve economic convergence, all EU countries need resilient industrial production structures. Development models based on tourism or consumption are very vulnerable to shocks. Even though they might have given the impression that convergence was happening in terms of GDP/capita convergence, the 2008 and the COVID crises revealed that countries with a solid industrial base are less vulnerable.

#### *Environmental dimension*

1. Carbon intensity of employment: Economies with a high proportion of jobs in carbon intensive sectors (e.g. coal mining or aviation) contribute less to environmental resilience compared to low-carbon sectors (e.g. culture or health). In times of crises a high carbon intensity of employment increases trade-offs between generating employment and decreasing environmental pressures.
2. Chemical phosphorus and nitrogen intensity of agriculture: A high dependence of agriculture on the supply of chemical fertiliser reduces resilience. On the one hand, agriculture is dependent on a few critical resources such as phosphorus and thus highly vulnerable. On the other hand, overfertilisation has negative impacts on biodiversity.

## Strategic recommendations for mainstreaming resilience in the EU

For indicators to be more than simple communication tools, a strategy is needed to anchor them in the policy-making processes. Only then the additional knowledge that indicators provide could be translated into policy. Important lessons can be learned from the Beyond GDP debate. We have identified five recommendations that could help mainstreaming resilience.

1. Develop and mainstream alternative accounting frameworks and models: To date there is a lack of consensus about alternative accounting frameworks (such as the System of Global and National accounts) to traditional national economic accounts. Data is necessary to develop models that predict how policies affect wellbeing and resilience.

Recommendation 1: The European Commission should develop a proposal for a consistent operationalisation of resilience. New models, methods and tools can build on this operationalisation and enable policymakers to assess the impacts of policies on resilience.

2. Including resilience into the Better Regulation Toolbox: The institutionalisation of resilience and wellbeing is weak. E.g. within the better regulation toolbox, there are nine tools for assessing economic impacts compared to only one tool for assessing the environmental impacts and four for social impacts. Additionally, the focus in impact assessments relies on the cost-benefit analysis, which excludes many non-quantifiable aspects of resilience and wellbeing.

Recommendation 2: The Commission should encourage the development of qualitative and quantitative assessment tools for resilience and wellbeing within the Better Regulation Toolbox.

3. New forms of political governance: The increasing complexity of political decisions needs new forms of political governance. Building on the doughnut as a framework, Amsterdam has co-developed a transformation pathway towards resilience and well-being together with citizens. This can inspire policymakers how to mobilise citizens for new policy goals.

Recommendation 3: The Commission should use the Conference on the Future of Europe to develop a European Resilience & Wellbeing Agenda, building on the Doughnut framework and create new forms for political governance such as co-creative participatory processes.

4. Political prioritisation of resilience and wellbeing: The majority of politicians must prioritise long-term resilience and wellbeing over short-term economic outcomes. Otherwise, they will see little value in resilience indicators.

Recommendation 4: The Commission should commit to align policies with the objective of a resilient economy.

5. Coalition building for a European Resilience & Wellbeing Agenda: To date there is no coordinated coalition of organisations, actors and initiatives that advocates for resilience and wellbeing – both within Europe and on an international level.

Recommendation 5: The European Commission should therefore promote network building activities along with a European Resilience & Wellbeing Agenda both within Europe and international organisations like the OECD and international MDBs like the World Bank and the IMF.



## Next steps forward

We hope these recommendations can serve as building blocks for an overarching strategy on mainstreaming resilience in the European Commission. Furthermore, we are convinced that ZOE, as a Think & Do Tank, can contribute to implementing individual elements of these recommendations directly in cooperation with the Vice-President's Cabinet. Conceivable options include:

- Consultation and implementation of an online co-creative design processes for the Resilience Dashboard with members of the Commission and the cabinets after the comments of the MS have been received. The aim of the process would be to develop a version of the Resilience Dashboard that is supported across DGs and the political spectrum.
- Advise and implement a strategy process to mainstream resilience in the Commission. The aim of the process would be to develop an action plan that identifies barriers and solutions for mainstreaming resilience in the EU policy.
- Develop an internal reflection paper on a new economic policy narrative together with the JRC. This paper would show how existing economic policy narratives inhibit change towards resilience and well-being and what building blocks could underpin a new narrative.
- Conduct and design workshops and/or research to further operationalise resilience around the Doughnut Framework. We would build on the Doughnut Framework presented in this paper and develop recommendations for further indicators that should be covered in the Resilience Dashboard.

We are looking forward to continuing the discussion.

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