Transcript of ‘Global Tipping Points 2026: Finance and Governance’

Season 3, Episode 46, Transforming Tomorrow

[Theme music]

Paul: Hello and welcome to Transforming Tomorrow Tipping Points from the Pentland Centre for Sustainability and Business, in association with the Sunway Centre for Planetary Health.

We're here at the Global Tipping Points Conference 2026, here at Sunway University in Malaysia. I'm Paul Turner.

Jan: And I'm Professor Jan Bebbington.

[Theme music]

Paul: Jan, today we're going to be talking about money, money, money, money, money.

Jan: [laughs] Well, you might call it money, I call it investment. And I think therein lies a radical difference.

Paul: Yes. One of us speaks in normal person language, and one of us speaks like an accountant.

Jan: [laughing] Yes, indeed. But also we're going to talk about, um, nature, climate, inclusivity, uh, nature as infrastructure and systemic risk.

I mean, it's, it's gonna be wonderful, Paul.

Paul: Yeah, we're gonna tie together how finance and governance and various issues like this all fit together in the Tipping Points framework, as part of the conference here.

Lots of interesting areas to discuss. And again, we'll find out whether and how business fits into the whole tipping points discussion, and what role it can play, and how crucial that role is.

So let's get underway, 'cause today we have been speaking to Professor Erik Berglöf, who is the Director of the House of Governance and Public Policy at the Stockholm School of Economics. Let's take you to that conversation now.

Erik: Welcome, Erik. Good to see you. Thank you. Thanks for having me.

Jan: So, Erik, we're really fascinated by your role at, um, Stockholm School of Economics, as a Director of the House of Governance and Public Policy.

Can you tell us about that centre and what its mission is?

Erik: Yeah, it's actually a collection of centres. There are eight centres underneath this house. It's a, in a way, it's an embryonic school of Governance and Public policy. And, uh, within the Stockton School of Economics.

Uh, the idea is, of course, to focus on governance and public policy, and particularly focus on state capacity, you know, the quality, uh, and, and ability of the state to, to deliver.

And also at the time when we are facing, you know, challenges, you know, like the nature loss like, like, uh, climate change, like AI, you know, there are so many things we are, uh, facing now that are about challenges to state capacity.

And, and probably, if we think about it, this is probably the greatest challenge we've had to state capacity everywhere, but particularly in, of course, in emerging developing countries.

Paul: And this seems like, then, it's a perfect tie in with what we have here this week at the Global Tipping Points Conference. Your work and tipping points, a natural alliance, would you say a natural fit?

Erik: Yeah, I think so. I think, uh, I, I'm very sympathetic to, you know, the message around tipping points. I sometimes find it a bit hard to translate into action [laughs] and then to, to concrete, um, you know, what to do, uh, next, next day.

But I think it's a very important, sort of, background to, to our thinking about the future.

Jan: And you talked about state capacity there. For our listeners, could you say what increases state capacity, but also what diminishes it as well? And is that sort of like systematically understood about how to build state capacity?

Erik: Right. So I think this is exactly where we want to go. We work, we want to develop, you know, tools to understand, you know, what, uh, is it that allows certain governments to, you know, formulate and, and implement policies, uh, while others are failing?

And, of course, there are many things that can explain those differences. And, of course, they are also correlated with, you know, the level of development and, and so on. So there, it's a complex topic, but it's one that, that, uh, really is crucial, I think.

And of course, uh, you know, the interesting thing with the, the House of, of Governance and Public Policy is that we are at the Business School. And, you know, we can apply the tools that we apply to understanding businesses and organisations, also to government entities, governments and agencies, and so on.

And I think that will help us understand, you know, why does it work good in some places and not so well in other places.

Paul: Do you feel that business engagement activity is essential for the kind of shift in governance that might be required to properly take hold and be effective?

Erik: I think it's absolutely crucial. I think a lot of the innovation, uh, in government happens in the interaction with the private sector. And, and, you know, take one example in these public-private partnerships that have, you know, been spreading, uh, around the world. Not always successfully, but over time I think we have become more, we have come up with ways of, of doing this.

But that's a lot about, uh, building state capacities, or countries form this, what they call PPP units inside, often inside ministries of finance, to develop the skills and, and then that spreads throughout, uh, the rest of, of the, of the government.

So, yes, I think this is, um, a very important. Of course, also, other things happen between private sector and government that are less positive…

Paul: …mm-hmm…

Erik: …so you also have to build in protections against, uh, corruption, you know, uh, influence and so on by, by elites, and so on. So there are, you know, you have to watch that space, but it's a very important space.

Jan: And I, I suppose in some ways, Paul, you were talking about that interaction between, you know, business and strong government, but I, with my accounting and finance hat on, I would be…

Paul: …again…

Jan: …again…! [laughs]

Paul: …the accounting and finance hat is always on, always there. Can't get away from it.

Jan: Whether you like it or not, that's, that's the hat that I have firmly on.

How do financial markets build into this as well? So can they, again, be a good partner for strong government?

Erik: Well, I think, you know, financial markets are about creating transparency and, and valuation too. And, and one thing that we, they're not very good at today, but something where I think they can play a very important role, is in valuing nature.

And, you know, we talk about nature on the balance sheet, you know, trying to understand what are the, the values. I think, probably, the most important part is actually that it's on the, the balance sheets of countries. You know, so it should be part of national accounts. And now there have been some important developments in, in recent years in, in that regard. And we have, you know, the tools now to, to do that in a more serious way.

But it also has to become part of the corporate balance sheets. And, and that's where, you know, the, we need nature markets and we need things like, uh, nature-based credits or, or biodiversity credits, for example. These are things that will help us put nature on the balance sheet.

Paul: Do you think that in order for businesses to maybe treat nature more seriously, it does need to have some kind of financial value? Otherwise for the likes of shareholders, et cetera, it won't matter as much?

Erik: Well, I, I, sadly, perhaps, but I think that is true. I think corporations may have, think about values and, and, and speak about values, but fundamentally, you know, it's about how you build value in the company, in, in financial value.

And if these are not aligned, it will be very difficult to sustain over time. So, I think it's quite critical to get the tools, um, in place that allows us to value nature properly.

I also think it's, actually, a matter of, of, um, the future of, of, um, the global economy, because there are a lot of nature assets now in the emerging and developing world that are not properly, uh, valued.

And, and, uh, if they were properly valued, we would have maybe much cheaper capital for many developing countries, for example. Uh, also maybe, you know, they could find ways of reducing their debt burdens, and so on. So I think many things that are related to valuing nature properly.

Jan: What I really liked, the way you explained that, Erik, is that quite often when I hear nature on the balance sheet, and I suppose it's hanging out with more of accounting than the economists, is that, nature on the balance sheet, if it's on a company's balance sheet, is quite different from nature being on a country's balance sheet.

And so that interaction again between, you know, the, the government and the governance there, markets and as they translate these things in corporations, seems to me as the important thing. So it's not on, it's on both balance sheets as it were.

Erik: Yeah, I think we, we like to talk about public private partnership for nature, you know, that, that we, we *always* need the public side there. By its very nature nature, uh, requires a, a public side. But I think without, uh, engaging the private sector we'll not be able to generate the resources, make the progress, you know, have the innovation that we need…

Jan: …yeah…

Erik: …to, to, um, really, you know, deal with nature loss. We are not talking now about even getting to positive territory. We are not talking about reducing, uh, the amount of nature we are losing, and the amount of species we are losing, and so on.

So there's a, you we just need to turn around this ship and that's the, the first thing we need to do.

Paul: Do, do you think that there's a way that all of this can be used to, 'cause we're here obviously talking about tipping points, and positive tipping points.

Businesses can therefore be a key role, and changes in governance and uh, policies can play a key role, in pushing us towards positive tipping points and away from the negative ones?

Erik: Yeah, no, I think positive tipping points is, is a good way to talk about what's needed. It's about getting, you know, on the one hand, you know, governments to tip over, you need to, but to get governments to tip over, I mean, I mean, tipping over now in the positive sense…

Paul: …mm-hmm…

Erik: …shifting the, the way, uh, we do, uh, governments does business and, but also the business community, civil society, they all need to be part, uh, of, of this positive, uh, tipping.

And, you know, it's, it's, uh, you know, a lot of this happens because of very fundamental coordination failures, and that's what we, we need to, to, uh, address. And, and that's where again, government becomes critical.

And, and of course in many countries, you know, we are now in, in Kuala Lumpur, we are, go outside, we have, we have, uh, you know, uh, the haze around us. And, and, uh, you know, we, we, I checked my app, since I lived six years in Beijing, you know, I look at my app daily and, and, uh, it was over 120 this morning.

And, you know, this is a reminder that even though there is, uh, on paper, rules against this, they're not enforced or they're enforced very, um, imperfectly and probably very unequally to, and, um, you know, the, these are large, in the end, large corporations behind this. But, you know, a lot of it's happening of course on the ground, uh, with, you know, small farmers and so on.

Paul: This makes a very good point, 'cause it's all well and good having changes to policy and governance. Unless those changes are enforced, it's no good. Nothing's actually gonna happen. You need to have enforcement action. I guess the potential for sizable punishment that, you know, encourages people not to…

Erik: …yeah…

Paul: …breach the guidelines…

Erik: …this is, I an give you an example from, also from Indonesia, which is about mangroves and, and mangroves, of course. Indonesia has an incredible, uh, amount of, of mangroves. One quarter of the world's mangroves are there.

And mangroves have many, many positive, uh, functions. You know, they, uh, capture carbon, they, they prevent against the storms and so on. But we actually looked at the effect they have on, uh, limiting the effect of tidal waves.

And, um, the first thing you see is that, uh, they are very effective in limiting the damage to tidal wave for the poor…

Paul: …mmm…

Erik: …for the rich, it doesn't matter…

Paul: …ah…!

Erik: …'cause they have other ways to, to protect themselves.

Uh, but the problem is that the poor are also those that are depleting their, the mangroves, because they need it for, uh, firewood or for, for, uh, house building, uh, construction, uh, material and so on.

But, this is why I came to think of it now. The first thing we found was that in those regencies in Indonesia that have the poorest governance, uh, more poor people are living. So in a way this is double or even triple whammy for, for the poor. That they, they are somehow, because of the lack of governance, they're destruct, they're self-destructive in a way because they are, they're forced to do it.

And, and this is how we, we need to think about, you know, what is it that produces this kind of haze that we see out there. It's, it's the, the combination of, of poor governance and, and also, of course, um, corporations that are, you know, beyond the control of government.

Jan: Yeah. And I'm now gonna sort of draw back to a phrase that's been used at this conference a little bit and, and maybe ask you to draw back from your experience on the Asia Infrastructure Investment Bank. Is that quite a few people have been saying nature as infrastructure and I, I wonder what, what they mean by that, and what you think they mean by that?

Erik: Well, uh, so for me, and this was something that was very important through the work we did at, uh, AIIB, was that nature *is* infrastructure. You know, it is the most critical infrastructure for sustaining life on earth. And of course then for, for sustaining economic, um, activity.

But that's only one reason why we want to use nature as infrastructure. Nature as infrastructure is a, I would say, a systemic approach where you think about,

uh, nature as a system, you think about ecosystems, biomes, um, landscapes and, and, um, rather than thinking about specific nature-based solutions.

I can give you an example of, you know, we had a, a project in, uh, Inner Mongolia. So, AIIB had a project in Inner Mongolia. Uh, the local authorities wanted to control flooding, uh, by restoring part of the wetland. And, um, so they came to us and we have to do, and I say we, but uh, still very much associate with, um, with AIIB, that, uh, we have to do this cost-benefit analysis of every project, uh, with sovereigns.

And, and, um, when you, we looked at this, and then we have, of course, traditional methods for you assessing, uh, cost benefits, but we thought we should also take in what we call natural capital valuation. So we, we, uh, integrated a methodology for that.

And once we did that, and we started looking at all the things that this wetland produced, all the ecosystem services, you know, the carbon it captured, the cross-pollination that it encouraged, the, the cleaning of water, the cleaning of the air, you know, the recreation, and so maybe even mental health.

And all those things, once you start valuing them, you realise that this wetland, unrestored, um, is it has huge potential. And, and of course that's what the conclusion that the local authorities, uh, draw when they saw these calculations, that we should not just do one part of the wetland, we should do the whole. And that, I think, is what nature as infrastructure is about this, for thinking about the, the larger ecosystem.

But one last point on, on nature as infrastructure, because that's where it really, where the, sort of, rubber hits the ground is, is infrastructure. We have a lot of tools for financing infrastructure.

We have, we talked about public private partnerships, but there's also, you know, how we use guarantees, how we use insurance, how we can maybe use various forms of biodiversity credits or carbon credits, and so on.

All those things can help us, uh, think about, uh, how we can, um, address individual, uh, sort of, nature as infrastructure projects. So, I think it gives us a perspective, a conceptual framework for thinking about nature, but it also brings us a lot of tools for how to finance, uh, improvement in nature.

Jan: So when we think about financing infrastructure to be both climate and nature resilient, that strikes me that we can also design it to be inclusive and

particularly, um, pro-benefits for the very poorest in a, in a particular place. So that sort of wraps all of those elements up together.

Erik: Yes. So I think there are two things to, to think about when you, you, um, talk about nature and climate resilience. One is, uh, reducing the, um, the vulnerability of, of local communities and specific infrastructure, and so on.

The other side is of course, the investment you can make in improving the quality of this, uh, infrastructure of this, uh, this nature. And, and so you, I think you need to have both perspectives.

Sometimes in the past we have focused too much on the safeguard side and not, uh, so much on the improvements that you, that you can make when it comes to the inclusion of, of, uh, people.

Obviously this is critical for a lot of the nature as infrastructure is, is, um. You know, this is, couldn't exist or wouldn't be look like it does today if it, it wasn't for the local communities that have been stewards of this infrastructure for, you know, generations. And, and so yes, it's absolutely critical to involve local communities in managing and stewarding, uh, nature assets.

And, of course, you know, we have to ensure also that if we create, you know, large, um, for example, nature reserves and so on, we need to, to make sure that this benefits not only the elite. That can go to this, but also that it benefits, um, the, um, the people more generally. And, and so inclusivity. And, you know, for me it is about equality of opportunity. If you, everyone has the equal opportunity. If you don't make use of the opportunity, it's a different thing. But, but I think equal opportunities is critical.

Jan: So we're really delighted to be here, as hosted by the Sunway Centre for Planetary Health. What does planetary health mean to you?

Erik: Well, planetary health is, is a way to think about the connection between climate, nature and human health.

And, uh, obviously I think we do understand very, very well the link between nature and, and climate and, and you know, that there are links, you know. heating of our climate, you know, leads to nature destruction, uh, deterioration of nature assets, uh, speeds up climate change, and so on.

So there are very important links, but the, the, what planetary health brings out is a link to human health. And, um, I think we, you know, again, we talked about the haze here, but you know, the air quality has been such an important

aspect of, of people's lives, and particularly in Asia. And, and of course it's, it's A global phenomenon, but particularly here in Asia. And, but also there are some examples here of what has been done.

So, you know, I lived six years in Beijing, and I've been coming to China, you know, at least once a year for, for as long as I can remember, almost. So, um, I've seen, you know, both deterioration of, of air quality in Beijing, but also the improvements in, in recent years.

And I think that is a very real, um, way to think about how we can improve or, or get action on climate and, and nature is to look at the effect it have. when people started looking at, you know, their children or with often with, uh, you know, wetting their eyes because, you know, the, the air was so, so bad and, and, you know, they cough at night, and so on. All those things really put pressure on policy makers.

And that started, you know, the environmental legislation in, in China that drove, uh, the climate legislation in, or the climate action in, in China. And that started the green tech revolution in, in China. So it's, you know, obviously what the purpose of planetary health is to make sure that we minimise the impact on, on human health.

And we can do that through, you know, by looking at not only about measures what we do in the health sector, which actually it turns out that the health sector maybe is responsible, about 10% of human health outcomes. Most of the human health outcomes come from the environment.

And so if you want to build infrastructure, we'll do transport networks or, or invest in energy, power and so on. If you want to do water or if, even if when we to talk about digital infrastructure, thinking about and integrating the human health impact, that for me is what planetary health is. That it's, should be a key performance indicator for any type of investment.

Paul: I think I can guess your answer to this based upon the, uh, conversation we've already had, but a few times at the Global Tipping Points Conference already, whenever business has come up, it's not necessarily been in a positive sense.

If it's not been talking about the fossil fuel industry, it's been talking about vested interests, or it's been talking about industries that are against, maybe, the push towards, uh, positive tipping points and away from negative ones.

But do you think business is the enemy in this, or is business a key player?

Erik: Well, it's a little bit the question you asked earlier, you know, about, about, uh, the interaction between the private sector and the public sector.

And I think that is, it's absolutely critical to, we, we are gonna need the private sector and, you know, there's a lot going on in the private sector and, or in large companies. Sometimes the, they don't, you know, uh, real change happening.

And, and I think, you know, we are gonna need all the innovation capacity, you know, innovation, uh, leads to productivity improvements, leads to, um, economic growth, gives us resources to address, uh, climate change and nature loss.

And so yes, we need to enrol the, the private sector and sometimes already, I think private companies are, are at the front edge of this. And, and may, you know, all these technological improvements that we have seen, you know, in the end come from, uh, investments by companies, whether they're private or, or state owned.

But, of course, we need to think about public policy, how we can use public policy to incentivise, and then put pressure and, you know, establish regulation and all those things to, to make the private sector move. But we will never succeed if we don't bring the private sector along.

Paul: Erik, thank you very much.

Erik: Thank you.

[Theme music]

Paul: There's a lot of interesting concepts that Erik brought up there, Jan, a lot of really good examples of people he's worked with or seen in practice. And I really liked the idea of critical infrastructure and how nature can be that, and is that, for the sustainability of life on earth. And therefore, if you don't have nature, you don't have life on earth.

Jan: Absolutely. And I also liked, um, his distinction, but joining together of natural capital as it pertains to countries and natural capital as it pertains to corporate actions. And making sure that those two things work well together.

And he said very clearly the public side matters, the setting of the rules, setting of the regime, the expectations, all of those aspects really then help businesses to be good stewards of assets as well.

But without that, you kind of, you know, you're not, it's unfair maybe in some ways to put all of that on a single company. So it's actually those two things, operating in harmony, that's the key.

Paul: And another guest who recognises the key importance of business in the whole tipping points conversation. And that you can't have success from governance, from policy, from anything like that, if you don't actually have the businesses onside, operating within it.

Whether that be, there's legislation that businesses actually all obey rather than ignore, or whether that be building policy and legislation together with business in order to make sure it's more successful and practicable than it would be otherwise.

Jan: The other thing he said, and this again is a, a feature in all economies, but maybe given his time in China, more strongly in China, is that some companies are state owned, in which case you've got the potential for those two, uh, sets of incentives to be aligned together.

Although it's not straightforward that that would be the case, but, but there is state owned companies, which are a significant part of many people's economies.

Paul: Mm-hmm.

And another person who brought up, unprompted, the current situation we have here in Kuala Lumpur with the air quality, and everything. And as you said, he compared it to when he used to live in Beijing, and that used to be a big thing in Beijing.

But the Chinese have done a lot of work towards cleaning the air in their cities. I've, I've not been to Beijing, so I don't know how successful it's been, but it's certainly something that they have focused on and done. And that's, uh, an example of governance and policy being applied somewhere.

And as we say, at the minute, being out here in Kuala Lumpur, uh, an update from the last time we mentioned the actual situation, today the sun is shining, but even looking a hundred yards away, you can see a haze between you and what, a building a hundred yards away. And that's not normal…

Jan: …yeah…

Paul: …not unless, you know, it's 78 degrees Celsius and the haze is just there because the whole ground is burning. [Jan laughs] And it's certainly not like that.

Jan: And the other thing I really liked about his examples, and this is why it's really important to, to come to, um, Asia and to actually have the conversations here, is that he talked about some work in Indonesia, work in Inner Mongolia, and both in the conference itself, when people are drawing out examples, it's regional examples.

Now, of course, this region is not invisible to us who spend most of our time, uh, within, you know, Europe or elsewhere in the world outside of the Asia Pacific region. But it's really inspiring to hear those stories from this region where action's been taken, outcomes are being attained, and people, uh, you know, have better livelihoods and better health and social outcomes, alongside addressing climate and nature risks.

Paul: Indeed. Another good discussion, and we'll be having more. There'll be further episodes coming up of this special Transforming Tomorrow Tipping Points series throughout this week.

So until the next time, thank you very much for listening. It's goodbye from me, Paul Turner.

Jan: And from me, Professor Jan Bebbington.

[Theme music]