

## OVERARCHING VISION

# Empower, Include, and Inspire: G20 Public Leadership to Advance Responsibility, Resilience and Sustainability for a Fair Global Economy

The Vision 20 Working Group - 2017:

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## Challenge

### **THE NARRATIVE: from a top-down globalization to a global economy that empowers citizens and works for a greater majority: Germany's G20 Presidency<sup>1</sup>**

Globalization and the ongoing technological revolution have delivered unprecedented prosperity and interconnectivity. Yet, when detached from a socially active public policy, these economic forces have led to: unequal benefits; social and regional dislocation; and political backlash. Buffeted by these unequal economic forces, global risks, and geopolitical shifts, globalization has become stigmatized as a problem

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<sup>1</sup> The Vision 20 partners (The Brookings Institution, Friedrich Ebert Stiftung Foundation, Heinrich Boell Foundation, Munk School of Global Affairs at the University of Toronto, and the University of British Columbia) held a major workshop at the Brookings Institution on February 27, 2017 with over 50 high level practitioners, policy experts, private sector leaders, union leaders, and academics and students from many countries. The workshop was designed to discuss the current economic and political climate and to propose initiatives that could address the uncertainties, concerns and challenges in G20 countries. After the conference, a WG emerged to draft this short V20 vision brief.

not as a dynamic full of positive benefits. Avoiding a return to the dysfunctions of the 1930s is imperative: today's Leaders must positively and collectively react to stem the backlash against globalization. To do so, Leaders must act to reform it. Resilient globalization can be a more positive force by empowering citizens; supporting entrepreneurship; and extending benefits to a greater number of citizens in the G20 and beyond. Global tools must be used to support and diffuse local, regional, and national leadership and entrepreneurship from the many sectors of society.

The 2017 G20 Summit in Hamburg is a critical gathering for Leaders and demands that every Leader exercise great responsibility on behalf of his or her country and the world. Under the leadership of Chancellor Angela Merkel, the G20 collectively must take concrete steps to nudge globalization toward a more sustainable path – in economic, social and environmental terms. Collectively, G20 Leaders can then address world citizens directly and convey a sense of common responsibility, clarity, and leadership.

Addressing the trust deficit: A growing number of citizens in many countries now do not trust experts, leaders, or the international institutions that have been created to achieve greater prosperity for all. Citizens struggle to gain their bearings and make sense of the decline in their economic or political situations. It is essential for the G20 Leaders to: express an understanding of the frustrations and anger of their own citizens; address these perceived grievances with concrete and clear initiatives; and show results of their collective policy efforts.

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## Proposal

### COMMUNICATION FOR A MORE DIRECT RELATIONSHIP WITH CITIZENS:

A new communication approach by Leaders is part of the solution, but the contents must also avoid technical discourse bubbling up from Ministerial meetings and Working Groups. Only then can citizens understand the proposed efforts of the G20 Leaders. And citizens in turn will be able to recognize that globalization holds out the possibility of greater prosperity for them and others.

**The V20 Working Group (WG) believes that Leaders at G20 Summits can strengthen their connection with their citizens by devoting more attention to the accessibility and clear content from summit meetings. Several innovations are possible:**

- **A new style of G20 Communiqué:** A brief announcement, written for all G20 citizens with a presentation of the declaration by the G20 Leaders.
- **A collective simple statement describing the global situation and what Leaders propose.**  
The WG believes that key ideas could be summarized and Leaders could speak in more direct ways than they have in past Communiqués. G20 Leaders understand that globalization requires fair and updated rules, a sense of fairness, and certainty, which can elicit trust. G20

Leaders can communicate in ways that will ultimately result in greater prosperity for the global economy and this in turn can lead to greater political stability.

## **ACTION PLAN FOR CREATING PROGRESS AT THE G20 IN 2017**

### **Preface to the Action Plan**

The WG notes that this is a time of great public uncertainty and it is the responsibility of G20 Leaders to affirm to their citizens and beyond that they are fully aware and acknowledge citizens' unease. Leaders should communicate their determination to significantly strengthen the capacities of G20 economies to deliver better economic and social outcomes and address inequality, for the betterment of all its citizens.

Societies and governments, legislative bodies, political parties and rule-making agencies need to develop fresh approaches and new strategies for shifting economic trajectories toward better results for individual workers, working families, their local communities and people in all walks of life.

These new approaches are not just the work of governments, but require the active engagement of society in generating alternative sustainable paths to a better future for all people – in economic, environmental, and social terms.

Most fundamentally, these new approaches need to be shaped by actors within each country. The G20 does not, and should not, substitute local and national initiatives and aspirations. In selected areas, however, coordinated approaches across countries can yield even better results. That is why the G20 sees its primary task as focusing on issues such as trade, financial stability, and international taxation. In some other areas, the G20 Leaders can shape a research and knowledge sharing agenda on important common problems facing G20 countries.

Among other things, we propose strengthening delivery systems for better social outcomes for consideration by social groups and deliberative bodies. We encourage vigorous scrutiny of these proposals by interested parties and impacted groups. Our hope is that these proposals may thereby be improved and, in turn, provide feasible, practical actions appropriate to each society.

**The WG believes the G20 in 2017 can provide critical recommendations on several interrelated core issues:**

#### **1. Addressing Technological Disruption and the Impact on Work**

The new digital economy is offering tremendous opportunities, yet also is likely to make many jobs obsolete in a relatively short period of time. Economic adjustment and skill formation are lagging the pace at which economic structures are shifting. The speed and scale of implementation of software innovation and artificial intelligence will generate significantly great labor market disruptions than the world has experienced since 2008.

These major economic undercurrents require significant accelerations in both private and public investment in what United States' President Donald Trump and German Chancellor Angela Merkel have identified as "training our workforce for the 21st century." They also require creative innovations in policies, programs and practices that address these threats to the economic security of the labor force.

For too long, training, health insurance, pension funds and unemployment compensation in many countries have been tied to employment alone. With greater mobility among jobs over a lifetime, with greater skills and technical capacity required for work in the 21st century, and with the greater economic uncertainty of the digital age, it is crucial to build both private and public social support programs around the citizen, significantly delinking such benefits from traditional employment. "Citizen accounts" under each person's control that would bundle a series of benefits and programs

– health and life insurance, retirement funds, educational support funds, and addition support programs for workers in transition and in training, etc. – in order for the individual worker to manage their own financial security and professional development over the course of their career. Le Compte Personnel d'Activité (CPA) program in France already exists and provides one example of this proposal, which in other countries would have to be adapted to the local context.<sup>2</sup>

We propose that serious national efforts be undertaken to forge collective business, labor, government and stakeholder social partnerships to address the social impact of technological upgrading and digitalization. These new domestic social partnerships would enable the creation of compelling programs, policies and institutional arrangements, in order effectively scale-up private investment in skill development and create new portable financial arrangements to bundle financial support under the control of individual citizens. These national programs should be appropriate to a variety of national contexts, scalable, and market driven to have the significant social impact required.

Furthermore, to specifically address the emergence of even greater disruptive labor dislocation from digitalization and artificial intelligence, still broader and more comprehensive private and public sector approaches are needed. To develop these approaches, new social partnerships need to be formed which can move new ideas into practice to address the acute sense of economic insecurity that automation, digitalization and globalization generate among workers everywhere.

#### Proposed Actions:

- The G20 Leaders should highlight the importance of the potential impact of rapid software innovation and artificial intelligence on labor markets and urge strong national leadership in convening new social partnerships to generate comprehensive "whole of government" approaches to anticipating these fast, fierce and faceless changes. Forging market monitoring data watches, alert systems, and nimble policy and program responses to cope with sudden

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<sup>2</sup> For background on this interesting innovation implemented in France, see: <http://www.gouvernement.fr/compte-personnel-activite-cpa>; and <http://www.europe1.fr/economie/a-quoi-pourrait-ressembler-le-compte-personnel-dactivite-2526853>

impacts are vital. New social partnerships of business, labor and stakeholders to mobilize greater private investment in skill development and training needs to be scaled-up significantly. And education leaders need to examine how to weave greater vocational training, technical skill development and advanced professional training in trades, construction and engineering into the national education systems. These measures should have relevance both for established economies (in need of reforming their training and welfare systems) and for large and small emerging economies (in the midst of building these systems).

- The G20 should mandate the International Labor Organization (ILO) and the Organization for Economic Co-operation and Development (OECD) to develop an international comparison of outcomes in response to education systems, social benefit systems, training programs and other key elements.
- Young people embrace connectivity and technology. Yet, current economic systems tend to place high obstacles on their transition from school to work as they attempt to make a positive contribution to society. The G20 needs a greater focus on accessibility and empowerment for youth (including portability of health insurance). Younger people need to be integrally involved in the new social partnerships to assure their specific, urgent, significant issues are adequately addressed, especially in countries where youth unemployment is over ten percent.

## 2. Triggering Responsible Corporate Practices and Taxation

The G20 should continue to make great strides in the implementation of base erosion and profit shifting (BEPS) action plans. Broader business-society partnerships can enlarge and support the benefits gained from this process.

Many G20 countries have instituted proposals for standardizing corporate social and environmental reporting within their countries. The benefits from such reporting stem from comparability across companies. The G20 could encourage multipartite mechanisms to harmonize such standards to unleash a self-reinforcing system of rewards for stronger corporate social and environmental practices.<sup>3</sup>

### Proposed Actions:

- Building upon the progress on implementation of the taxation measures contained in the BEPS action plans, the G20 could issue a clear and powerful statement acknowledging implementation progress and obstacles to a range of measures (e.g., collecting and storing beneficial ownership information in public registries) for G20 Leaders to act upon.

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<sup>3</sup> Taking an example from the Financial Stability Board's Task Force on Climate-Related Financial Disclosures led by Mark Carney and chaired by Michael Bloomberg.

- The G20 should endorse the importance of sustainability reporting in their own countries, and encourage various standard setting bodies to work towards establishment of joint principles for such reporting and, where feasible, for upward harmonization of reporting. It should also encourage International Organization of Securities Commissions (IOSCO) to support the creation of an increasing number of sustainable stock exchanges around the world.

### 3. Encouraging and Incentivizing Bottom-Up Inclusive Regional Solutions

The G20 should launch competitions (with funding incentives) to encourage the proliferation of regional and local cooperative initiatives for strengthening inclusion and resilience at local levels.

Corporate performance is now increasingly affected by dislocation and inequality. Often, regional regeneration lies in better partnership between corporations, schools, universities, technical colleges, local governments, and social actors. National governments need to encourage these partnerships.

#### Proposed Action:

- A challenge or competition should be initiated by the G20 to stimulate experimentation with new models in inclusive regional communities. Successful results need to be promoted.

### 4. Large-Scale Investment in Infrastructure

G20 Commitment: The WG recommends **a globally coordinated effort toward mobilizing leveraged investment in sustainable infrastructure programs that remove bottlenecks to growth.**

As recognized in the Hangzhou G20 Communiqué: “We stress the importance of quality infrastructure investment, which aims to ensure economic efficiency in view of life-cycle cost, safety, resilience against natural disaster, job creation, capacity building, and transfer of expertise and know-how on mutually agreed terms and conditions, while addressing social and environmental impacts and aligning with economic and development strategies.”

At the Summit, the G20 Leaders agreed that their comparative advantage was to work collectively to “Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation” and “Promote Decent Work and Economic Growth.” These are the two major focal points of the G20 Action Plan on the 2030 Agenda.

Visible global leadership is needed to shape the incentives, mechanisms, coordination processes, regulations, and institutional reforms necessary to mobilize the trillions needed to meet the Action Plan’s goals, including for climate resilient, sustainable, low or no carbon infrastructure investment. The G20 should foster a holistic perspective on how we want our economies to be financed, particularly our infrastructure.

Proposed Actions:

The G20 can help optimize such benefits by advancing progress in the following areas:

- **Adopt an overall target:** We recommend that the G20 Leaders adopt a target of increasing Multilateral Development Banks (MDBs) resources devoted to such infrastructure investment by 2020, without sacrificing lending quality. Additionally, the G20 should show that it is firmly committed to mobilizing private money and engaging with appropriate private sector actors. The G20 needs to show that it is committed to developing the appropriate recognition.
- **Reorient investment frameworks.** G20 country (and sector) investment frameworks can ensure that the benefits of infrastructure investment are broadly based. The G20 needs to encourage involvement of small and medium-sized enterprises (SMEs), so that progress and aggregate demand create a virtuous cycle of sustainable production and consumption. Long-term national frameworks and strategies should facilitate the achievement of nationally-determined commitments to decarbonization.
- **Transform financing.** Where progress on improving infrastructure governance, reorienting national investment frameworks and addressing price distortions is evident, the G20 should help ensure that MDBs and other platforms and sustainable procurement programs provide the financing, guarantees, and capacity for scaling up infrastructure investment. The G20 can encourage MDBs to develop sustainability criteria for calculating rates of return that include longer-term social and environmental benefits. It can also maximize effectiveness by ensuring transparency with respect to all liabilities for public-private partnerships (PPPs) and regulation of responsible business conduct in line with international conventions and standards.
- **Coordination, bundling, and portfolio approach:** combining sources of finance with institutional support to reduce risk must be encouraged. Key opportunities lie in bundling investment opportunities across related activities to streamline operations and spread risk in a portfolio approach. It is essential to increase coordination among the MDBs, and between these MDBs and private investment sources such as: institutional investors, private equity funds, and venture capital. These efforts are designed to pool expertise and risk to move “from billions to trillions” to meet the financial requirements for sustainable infrastructure and energy over the next two decades.
- **Transparency and Due Diligence:** As called for by the B20, C20 and T20 Climate and Energy Working Groups’ “Statement for a Sustainable Energy Transition,” for mobilizing additional private-sector capital at the required scale, the G20 should promote international disclosure and reporting standards for environmental and climate-related financial risk and build on the recommendations of the Taskforce on Climate-related Financial Disclosure to this end. The G20 governments should also consider environmental, social and governance (ESG) performance as bidding criteria for infrastructure projects.

- **Replicate best practices to facilitate scaling up:** the WG believes that to achieve these goals, all participants must work toward standardization of procedures for contracts, procurement, disbursement, reporting and implementation of investment projects and plans in environmentally and socially sustainable ways. Scalable, replicable platforms for streamlining procedures and processes for greater efficiency and timeliness would be vital to realizing the scale horizons involved in mobilizing investment in infrastructure from all sources. The MDB infrastructure Task Force should be requested to develop scalable procedures that include sustainable and social considerations by the next G20.
- **Accelerate technology cooperation.** The G20 can ensure that the Technology Facilitation Mechanism (TFM), which supports the 2030 Agenda, enhances technology cooperation and strengthens the capacity of developing countries to prepare and implement infrastructure technology projects.

## 5. Green Financing

The V20 working group is convinced that the gradual development and generalization of carbon pricing schemes and green financing mechanisms is essential to provide the right signals for private sector innovation in green energy.

### Proposed Actions:

- Carbon pricing mechanisms that are socially neutral and revenue neutral are encouraged based on local conditions.
- Addressing price distortions. To ensure that investment frameworks facilitate the use of best available technology and achieve desired efficiencies, the G20 can encourage further progress on the removal of fossil fuel subsidies (including through peer reviews) and carbon pricing as a strategy for an energy transition.

## 6. Protecting and Enlarging the Common Gains from Trade:

The WG believes that the G20 Leaders could support a declaration committing Leaders to continued focus on trade liberalization but with a determination towards a better sharing of the benefits of trade to all. The G20 must remain constant in fighting protectionist policies. And, as a consequence, the G20 encourages the WTO and research supports such UNCTAD, the OECD and the E15 to prepare Reports for the G20 on the following: First, what constitutes WTO-compatible border adjust taxes; the second what might be acceptable as WTO-compatible border tax measures for states to adopt targeting imports from countries that continue to produce and export goods in a high carbon emission manner and environment.

## 7. International Financial Reforms:



The WG expresses concern about the growing risk of regulatory divergence in finance in 2017, which will lead to greater global risks. While it is useful to find ways to open some growth space for banks, it should be done in a coordinated manner.

The WG believes that the G20 and the Financial Stability Board (FSB) have made significant progress in appropriately regulating the financial sector, making the system more resilient and stable. The FSB continues to have an ambitious agenda and this work remains, it would seem, a global priority. Where appropriate, the WG believes the FSB could further develop measures to guard against regulatory pullback.

Proposed Actions:

- G20 Leaders should recommit to preventing the resurgence of national competition, regulatory arbitrage, and an unhealthy race to a bottom.

## CONCLUSION

Current world challenges require concerted, serious, and purposeful efforts to improve ordinary citizens' lives. More than ever, leadership is essential to deal with pressing global problems associated with top-down driven processes of globalization. The G20 is a unique forum with the authority to act towards this goal. This is the moment, the WG believes, for G20 Leaders to rise to the challenge mobilizing the legitimacy and capacity of what remains the world's hub of global policy making in doing so. A failure to act in turn opens the way further to a populist revival that can turn anxieties into dangerous prescriptions.