



BUSINESSatOECD

Business at OECD (BIAC)

Our contribution to the OECD Ministerial Council Meeting

“Advancing a forward looking pro-growth agenda for a sustainable, inclusive, resilient future”

5-6 October 2021 OECD Ministerial Council Meeting (Part 2)



1. Key messages

Business-to-government dialogue has been critical to address the unprecedented health, social and economic crisis caused by Covid-19. As the OECD Ministerial Council Meeting convenes again in October, we encourage the OECD to advance its work in the areas of:

1. **Recovery**, calling for pro-growth, pro-trade, pro-investment, and pro-innovation policies that benefit all;
2. **Foresight**, helping governments to anticipate potential future disruptions instead of firefighting crises as they come along;
3. **Resilience**, ensuring that we are better prepared for the future, building on openness, dialogue and cooperation to address global challenges.

This work should be guided by the following three overarching recommendations:

1. **Coherent and comprehensive multilateral approaches:** The OECD should champion international coordination and multilateral approaches, as well as cross-disciplinary work to foster sustainable economic growth post-Covid-19;
2. **Evidence based policy making:** The OECD should inform policy discussions by connecting evidence to policy, which is essential to increasing public trust in policy-making and the effectiveness of governments' responses to future crises;
3. **Public-private collaboration:** Harnessing its institutional stakeholder advisory Committees *Business at OECD* (BIAC) and TUAC, the OECD should be at the forefront of facilitating public-private dialogue across areas, and clearly communicate that public-private collaboration is key to design both recovery and strategic policy efforts, as well as to ensure practicability and feasibility of policy measures.

A comprehensive, pro-growth, pro-trade, pro-investment, and pro-innovation agenda, based on the above-mentioned considerations should help pave the ground for a sustainable, inclusive and green recovery. This is also important to ensure that therapeutics and vaccine development, production and deployment can proceed as quickly and comprehensively as possible to overcome the pandemic.

With respect to the specific issues of focus on this year's MCM agenda, in Part 2 of our paper we provide specific recommendations in support of government action to:

- Identify effective and efficient approaches for climate action, build frameworks that enable private sector resilience, and assess risks and impacts for different policy options;
- Promote inclusive growth and enable broad-based people participation in our economies by fostering results-driven approaches to education and skills and active labor market policies in order to prevent a 'lost generation' due to Covid-19;

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- Ensure fair and growth-oriented taxation, implementation of OECD global tax standards and enhanced cooperation to advance tax certainty, trust and a level playing field;
 - Ensure trade for all and continue to expand world trade and market access, while building a more robust crisis-response framework, including increased supply-chain resilience;
 - Deliver consistent and coherent digital policy frameworks for data driven innovation and emerging digital technologies;
 - Invest in quality infrastructure, including for health and digital, not only to prepare for future emergencies but also to foster future growth and competitiveness.

In the final section of this paper, Part 3, we reiterate our key messages on the OECD Vision Statement, which we have discussed with the OECD earlier this year.

2. Building towards a sustainable and prosperous future

Efforts aimed at building towards a sustainable and prosperous future must be based on policies that enable our entrepreneurs and companies to operate in global markets within predictable and transparent policy frameworks, and which facilitate ample opportunities for the participation of people in the economy.

In this regard, we encourage the OECD to center its work on three key areas, namely “recovery”, “foresight” and “resilience”.

First, towards a sustainable recovery from Covid-19, we call on the OECD to foster pro-growth policies that enable the private sector to create jobs, contribute to economic development and spur innovation needed to address global challenges.

A healthy private sector is the foundation for job creation and inclusive sustainable economic growth. While the short-term outlook is improving, our members voice concerns about longer-term fragilities and risks. These include spikes in business insolvencies over the coming years, a possible misallocation of resources not correctly targeted and extended beyond their useful lifespan, long-term unemployment, and the possibility of financial fragilities over the medium- to long-term. These come on top of pre-existing challenges that negatively affect our economies’ growth potential such as long-standing weak productivity growth and population ageing. There is no time for complacency. We need continued focus to advance a pro-growth reform agenda to address these challenges and to achieve a strong and sustainable recovery. Notably, we call for:

- Policies and frameworks that allow companies to deleverage and boost their solvency such as equity and quasi-equity instruments, debt-equity swaps and a widening of access to equity markets for smaller firms;
- Advice on how stimulus programs can lead to structural, transformative programs for the economy. Public support measures should be geared towards supporting longer-term objectives (e.g. strengthening infrastructure, digitalization, decarbonization, and health sector resilience), as indicated in our recent *Business at OECD Member Survey*;
- Advice on how to ensure that a phase out of support measures is gradual, avoids “cliff edge” effects and is based on clear criteria that guide phase out to avoid that emergency measures distort market functions beyond their useful life;
- A reduction of administrative burdens and red tape where possible to facilitate access to support programs and help, in particular, small companies throughout the recovery phase and beyond;
- Advocacy on the important role of public-private partnerships and collective action as governments alone are not equipped to provide the full range of services and expertise required during and after the immediate phase of the pandemic;

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- Stepped up messaging, policy analysis and advice on the important role of open markets for trade and investment, as well as on frameworks for effective intellectual property protection and enforcement;
 - Advancement of international standards, enabling frameworks and infrastructure for the digital transformation across sectors, which drive inclusive and sustainable growth.

Second, we encourage the OECD to improve its strategic foresight function across committees.

Covid-19 has taken us by surprise, and we cannot afford to be unprepared again in case of potential future health crises or other challenges on the horizon, such as ageing populations, global environmental challenges, or the sustainability of our social security systems, to name just a few. Based on lessons from Covid-19, we need to improve our ability to understand risks and proactively manage crises to reduce their effects on our economies and societies. In times of rapid technological change and changing market demand, such capabilities are more important than ever. The OECD has the cross-disciplinary expertise and convening power to assess potential future economic, regulatory, health, environmental and demographic disruptions. Against this background, we call for:

- A forward-looking OECD agenda to advance effective anticipation of future risks and crises as well as the development of action-oriented holistic foresight frameworks across policy areas to ensure that the OECD can continue to deliver impactful policy advice to its members;
- Close engagement of and coordination with the OECD's institutional stakeholders – *Business at OECD* and TUAC – in OECD Committees for the development of evidence to identify risks and address ongoing and future challenges;
- The development of a report on public risk governance to evaluate how well prepared countries are for addressing major risks, with a particular emphasis on enhancing coordination- including with the private sector, early warning systems, as well as crisis management.

Third, we encourage the OECD to be at the forefront in advising governments on how to foster resilience.

Clearly, more work is needed to ensure greater resilience to future crises. While focusing on better preparedness and foresight, this also means strengthening the capacity of our economic and social systems to withstand shocks, minimize impacts, and bounce back more effectively. At the same time, building resilience must not be misused as a vehicle for protectionism and unilateral action. Notably, we call for:

- Advancement of international policy cooperation, including with major emerging markets, to foster a more robust and inclusive global economy, including regulatory coherence to enhance private and public resilience to shocks;
- Increase the robustness of the international trading system, and strengthen supply chain resilience in the face of ever-more-frequent global and regional challenges- including increased risks of natural disasters, data governance and cybersecurity threats, escalating trade tensions,

rising protectionism and policy uncertainties. This should include effective cross-cutting risk-management strategies, a coordinated crisis response framework and strong public-private collaboration;

- Enhanced collaboration between business, governments and academia to help people acquire the competencies, skills and mindsets required for tomorrow's jobs, and to build frameworks that support on-the-job training such as apprenticeships;
- Stepped up efforts on integrity both in the private and public sectors. This should include (1) conducting a root cause analysis of risks and compliance failures during the recent crisis with a view to identify best practices that can help prevent similar challenges in future crisis situations, including the development of robust emergency procurement protocols and digitization of public administration processes, (2) further strengthening internal controls, reporting mechanisms and training of public officials, including through collective action initiatives and reinforced public-private cooperation and (3) establishing clear rules and procedures that provide legal and compliance certainty to companies that intend to lend support in times of crisis, while proactively assessing new potential corruption risks that may arise in later stages of the crisis, for instance, in relation to vaccination or trade in medicines.
- Advice on how infrastructure can be made more resilient, given that well-functioning services such as healthcare, transportation, energy and water are essential at all times, and all the more critical in times of crisis;
- Strengthened resilience to climate risks, including by advancing climate risk management frameworks with business, enabling the integration of climate risks and resilience into financial decision making and the setting of international standards in sustainable finance, and enabling resilience of high climate risk sectors such as agriculture, raw materials, utilities and manufacturing.
- Improved international coordinated responses to future pandemics and health crises.

Specific business priorities on MCM agenda items

In the following section, we highlight business priorities across different policy areas that are the focus of this year's MCM agenda, which support building towards a sustainable and prosperous future for our society as a whole, namely "addressing climate change", "promoting inclusive growth", "advancing international tax solutions", "supporting trade for all", and "championing high standards in the digital economy".

Addressing climate change

As countries are taking decisive action on climate change, environmental considerations and sustainability more broadly are crucial for the OECD to confirm its unique role at the international level as a platform for holistic policy dialogue based on facts, quantitative analysis and evidence. We encourage strong collaboration between governments, the OECD and the business community when

developing and implementing policy responses to the Covid-19 pandemic that aim to leverage growth and sustainable development.

Policy recommendations

- Ensure that the OECD's *International Programme for Action on Climate (IPAC)* supports governments in identifying environmentally effective and economically efficient approaches to net-zero transitions, helps narrow "implementation gaps", and facilitates green growth;
- Ensure that the OECD horizontal project on *Building Climate and Economic Resilience in the Transition to a Low-carbon Economy* advances climate risk-management in coordination with business, builds policy frameworks that enable private sector resilience, and evaluates sector policies for those businesses that are most exposed to climate risks;
- Provide comprehensive analysis and a clear assessment of carbon pricing and its impacts on business and consumers endeavoring to rebuild from the socio-economic impacts of the pandemic, including its impact on trade;
- Ensure that OECD work on green finance takes a holistic and inclusive approach towards net zero-carbon economic systems, integrating the perspectives of investors and investees, as taxonomies, data disclosures and transition paths fundamentally impact the operations of the real economy. In this context, the Organization should advance a common understanding of low-carbon transition finance, giving proper and cautious consideration to those activities that may not be zero-carbon, but may bridge our climate transitions.

Promoting growth policies that enable full people participation in the economy

Societal change is happening at an increasingly rapid pace calling for targeted policy approaches and international collaboration. Ultimately, our societies will only support economic openness and innovations as means to solve global challenges if they go hand-in-hand with domestic policies to enable people to participate in these new economic scenarios, with adaptable skills and more opportunities for economic participation.

Policy recommendations

- Foster results-driven approaches towards education, skills and public-private dialogue, which will also be key to prevent a 'lost' young generation and leaving disadvantaged groups of society behind;
- Encourage governments to improve incentives for companies to hire and keep employees in work, including reductions of the tax wedge, re-training of the unemployed, and reskilling and upskilling of employees during their work life.
- Address high youth unemployment through targeted upskilling measures and programs such as apprenticeships and work-based learning, with national circumstances taken into account;

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- Advance curricula and education system reform to reflect modern disciplines, digital technology and entrepreneurship as well as soft skills and other competencies, and focus on teachers' training for new and evolving learning environments.

Ensure fair and growth-oriented taxation

A pro-growth tax policy is critical to achieving a sustainable recovery from the Covid-19 crisis. We welcome the landmark announcement and support of 133 members of the Inclusive Framework as an important stepping stone to move forward to a comprehensive agreement on the taxation of the digitalizing economy by October 2021, establishing a new framework for international tax reform. In this context and as corporate taxation remains central on the political agenda, implementation of the OECD global tax standards and enhanced cooperation between tax administrations and taxpayers should advance greater tax certainty and trust between taxpayers and administrations, foster a level playing field that promotes cross-border trade and investment, and facilitate tax dispute prevention and resolution. Increased focus is also needed on the digitalization of tax systems for both business and governments.

Policy recommendations

- Implement the OECD international tax standards to ensure fair and growth-oriented taxation according to value creation and to enhance tax certainty, including tax dispute prevention and resolution, benefitting companies large and small as well as tax administrations;
- Advance a sustainable multilateral consensus on guidance and implementation of the OECD/G20 Inclusive Framework Project on the taxation of the digitalizing economy, with appropriate business engagement;
- Ensure that the OECD tax and environment agenda is cross-cutting and broad in scope, and that it takes into account the potential impacts on innovation, growth and employment;
- Address the tax treatment of an increasingly mobile workforce with a focus on implications of cross-border teleworking during the recovery from the Covid-19 pandemic.

Supporting trade for all and market openness

A fundamental commitment to expanding world trade and market access must remain at the heart of the OECD. The Organization's work should provide guidance for a more robust crisis-response framework, help roll back existing restrictions, and enable business efforts to increase supply chain resilience. Based on its shared values, the OECD should also help demonstrate that with the right policies in place, open markets can advance sustainability and create jobs and prosperity.

Policy recommendations

- Strengthen the robustness of the rules-based trading system, advance a coordinated crisis response framework, and emphasize the role of public-private collaboration and information sharing;

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- Support business efforts to increase supply chain resilience, encourage investment in sustainable trade infrastructure, and support the emergence of diversified sources of products and services;
 - Advance the international trade agenda, including through analysis on digital trade and cross-border data flows, government support measures and state-owned enterprises, services trade, public procurement, and trade facilitation;

Underline how open trade and international competition foster sustainable growth and inclusiveness, including through the development and diffusion of environmental innovations, upscaling of circular economy business models, and spreading of well-advanced responsible business conduct practices to emerging markets.

Leverage data-driven innovation and digital technologies

OECD standards and related evidence on digital policy are critically important for business to enhance trust, support cross-border data flows, and advance breakthrough applications and uptake of digital technologies across sectors. We look to the OECD to deliver consistent and coherent digital policy frameworks for data driven innovation and emerging digital technologies, including Artificial Intelligence and Blockchain, as well as for policy guidance that supports the creation and maintenance of innovative, resilient, safe and secure communications systems, networks and digital content.

Policy recommendations

- Advance coherent and globally interoperable data policy frameworks that facilitate more responsible data sharing and collaboration, enforceable cross-border data flows with trust and data driven innovation;
- Deliver high-level OECD principles addressing the critical issue of government access to personal data with input from business and the relevant stakeholders, given the potential negative economic impacts of compelled government access and data localization;
- Formulate policies through multi-stakeholder collaboration that foster sustainable investment in secure digital infrastructure and capacity;
- With the engagement of business, foster practical solutions for advancing digital technology, including for enhanced access to education, training, upskilling and increased technology adoption as part of capacity building for SMEs, with a focus on high-growth firms and scale-ups.

Investing in quality infrastructure

The crisis has further widened the global investment gap – currently estimated at USD 2.5-3.5 trillion, emphasizing the urgency of strengthening critical infrastructure, including for health and digital, not only to be better prepared for future emergencies, but also to provide a sound basis for future growth and competitiveness.

Concerted efforts by the public sector, putting in place enabling framework conditions, and the private sector, leveraging investments that maximize value for money while taking into account social,

environmental and governance aspects, will be essential to ensure that quality infrastructure can support a sustainable and resilient economic recovery.

Policy recommendations

- The OECD should foster implementation of its investment policy instruments, including the Declaration on International Investment and Multinational Enterprises, the Policy Framework for Investment and the Guidelines on National Security, as well as the Compendium of Policy Good Practices for Quality Infrastructure Investment, with a view to create and maintain an open and enabling framework for private investment globally;
- The OECD should ensure that programs, which aim to leverage private infrastructure investment, such as the Blue Dot certification, are designed in an inclusive manner allowing all interested and like-minded parties to participate, championing the principles of transparency, predictability, impartiality and efficiency and enabling companies of all sizes and sectors to contribute;
- The OECD should encourage countries to enhance their investment environments, implement international standards, and address prevailing governance gaps, which may discourage necessary investments.

3. Strategic recommendations for the 60th anniversary of the OECD

As the OECD turns 60 and celebrates this milestone during this Ministerial Council Meeting, we underline the continued critical relevance of the OECD's core mission. Sixty years ago, the OECD was formed in order to help economies recover following the devastation of WWII. The effort was an enormous success, with the generation of wealth and its distribution around the globe, unprecedented in world history. *Business at OECD* (BIAC) was formed a year after the establishment of the OECD as a critical partner in providing the Organization with the experience of the real economy, recognizing that there is a need for balance between the role of government and that of the private sector in a modern, market-oriented society. However, in recent decades as the benefits of markets and free enterprise have become seemingly obvious, these benefits were too often taken for granted. Therefore, the need for clarity of the OECD's mission and message – supported by *Business at OECD* guidance and advice – continues to be as necessary and important as it was 60 years ago.

The pandemic has had devastating effects on the global economy and skepticism has grown regarding the ability of an open, markets-oriented trade and investment regime to reinvigorate the global economy. Recovery will require a coordinated and multilateral effort, and the solutions for sustained recovery must take into account the need to rehabilitate the real economy – meaning private sector businesses that create jobs, revenue, and real market growth. *Business at OECD's* role as a trusted and experienced institutional stakeholder is crucial to the evidence base and positive outcome of OECD policy advice.

Over time, the Organization has further increased its importance as one of the most influential providers of economic data and statistics as well as an authoritative reference point for sound policy advice. To that end, it is key that the work of the OECD remains evidence-based, practical, and actionable at the national level to promote a sustainable economic recovery.

At the same time, considering that emerging and developing economies account for an increasing share of global GDP, it is important to seek their credible commitments to key OECD instruments. In order to address global challenges and realize a level playing field, the OECD should enhance collaboration and policy dialogue based on mutual benefits.

The vision for the next decade should enable the Organization to re-affirm and strengthen its longstanding roles in the following areas:

- first, as a forceful voice on open, competitive, rules-based, job-rich and socially sustainable market economies;
- second, as an undisputed convener and promoter of inclusive multilateral approaches and a champion and platform for dialogue with representative stakeholders as well as public-private partnerships; and
- third, as a pioneer for policies that keep markets open, fair and inclusive.

We hope that the OECD's vision for the upcoming decade will encourage the Organization to learn critical lessons from the current crisis, by evaluating what has worked and what has not and fostering foresight-based and integrated approaches across the Organization. This will be critical to inform better policy responses and reinforce our economies' preparedness and resilience, mitigate risk and prepare for future challenges.

Finally, with a view on driving impact, we would suggest reviewing, on a regular basis, progress, gaps and opportunities for delivering on the goals the Organization sets for this upcoming decade of action.





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