



BUSINESSat**OECD**

Policy Integration and Foresight

**Building on 60 years of economic leadership to overcome Covid-19
and prepare for the future**

Annual Meeting with OECD Ambassadors and Leadership
25 February 2021



1. Policy integration and recommendations for overcoming the Covid-19 crisis

One clear message resonates from consultations with our business constituents: we need a strong OECD to identify the policies and the coordination needed to be implemented “now” and those to be designed for “tomorrow” to overcome the challenges ahead. Despite the global nature of Covid-19, many government responses across different stages of the pandemic are still unilateral and could benefit from best practice sharing and concerted efforts. International collaboration, including between the public and private sectors, should be on top of governments’ agendas, with a clear mandate for the OECD to advise governments on current and future challenges related to the Covid-19 crisis and beyond.

The OECD is at its best when it shows the synergies across its Committees and related deliverables, and effectively integrates input from business and relevant stakeholders. This policy integration provides a whole-of-government approach to complex realities like Covid-19 based on comprehensive and constructive engagement. The crisis is a powerful reminder of how interconnected government agencies should be, together with their policy approaches, as they chart the path towards recovery.

Our business delegates have noted the more than 160 policy briefs from the OECD on Covid-19. In addition, in a context where policy decisions are hastily taken as policymakers respond to quickly changing environments and constraints, we need comprehensive, yet succinct guidance from the OECD on how governments can best tackle the recovery in an integrated manner.

While countries re-introduce new containment measures to face subsequent waves of infection, countries will need a pro-growth agenda that will enable prosperity through open markets and domestic policies that allow people to participate in them. The recovery will be determined to a large extent by the effectiveness of vaccination roll out and population awareness of its importance.

As the OECD turns 60, the Organization should lead strategic forward looking efforts to agree on long-term actions that will also address the effects of current emergency measures and preparedness measures against future crises. Business sees room for improvement in economic stimuli focusing on longer-term policy objectives. By anticipating these trends, the OECD can develop a strategic plan on how concerted measures will help us innovate and thrive in the coming decade.

As part of our Annual Consultation with the OECD Council and Leadership, we present recommendations for a three-pillar mutually reinforcing work program, which the OECD can set in motion to help overcome the Covid-19 crisis. The second section outlines selected strategic orientations as the Organization adopts a new vision statement ahead of entering its 7th decade.

1. Develop a comprehensive job-rich, pro-growth, pro-prosperity agenda

After a year of reactive policies to fight the pandemic and its adverse effects on employment, health, national and international markets, business needs a proactive approach that will create a strong footing for the next decade. The most immediate challenge is to ensure widespread use of vaccines globally to contain and manage the pandemic, and with that lay the groundwork for reopening economies and travel. Vaccination should be seen as the cornerstone of effective, efficient economic policy in 2021.

In the longer term, we face major risks of long-lasting economic damage, reduced tax revenues, and rising social welfare spending. Strong business-led economic growth is the only way to avoid passing an overwhelming debt burden to future generations. A comprehensive pro-growth agenda that the OECD can promote and coordinate from policy design to implementation should be a goal Member States agree to reach.

As key pillars of a pro-growth strategy, we must ensure that businesses and entrepreneurs can innovate and create jobs, and that people have the right skills and education to fill them, as well as to address international mobility challenges. Competitive, transparent, predictable, and quality regulatory frameworks must be firmly in place to support business of all sizes as economies digitize and address the global climate challenge. After a period of uncertainty, businesses need more flexibility and less red tape, which continues to severely hamper in particular small and medium-sized enterprises (SMEs) and entrepreneurs. As backbones of OECD economies, SMEs need smart and timely policies to boost employment. We should learn from policy measures that have worked, and base our policymaking on evidence of actual effectiveness. This is an area where the OECD can—beyond compiling what its Member States are doing—evaluate and indicate the right path for best practice and coordination, adapting to national contexts and taking into account country-specific constraints.

Public-private partnerships as well as a pro-investment policy environment will be crucial to boost growth and prosperity. The speed at which private investment restarts will determine how quickly our economies recover from recession. Firms cannot plan based on speculation. Uncertainty reduces investment, and business must be involved in discussions whenever new investment related measures are being considered.

Governments must avoid tax increases, which would at this point weaken businesses further. We need globally aligned fiscal solutions instead of harmful unilateral actions. We strongly support reaching a consensus multilateral agreement for OECD/G20 guidance on digital taxation. We further emphasize the need for clear and consistent implementation of the Recommendations on Base Erosion and Profit Shifting (BEPS) and work that delivers increased tax certainty.

A near-term challenge with long-term effects on growth and employment is to ensure that sufficient financing is available. There is a risk that the enormity of funds needed to recover will overwhelm the public sector's current capacity to sufficiently support the economy. At the same time, private lending may also be constrained in the more challenging economic environment coined by high uncertainty. Thus, to ensure that sufficient financing is available for a sustainable recovery, access to private capital via capital markets and financial institutions is necessary and must be facilitated through strong public-private collaboration. Such efforts are essential in ensuring capital market risk taking, liquidity, price stability, and market functionality.

A pro-growth agenda does not mean choosing between growth and people's well-being – this would be a false debate. Pro-growth approaches are intrinsically pro-prosperity when they encompass policy measures at national level that will enable people to participate in the economy and to benefit from it—in larger numbers and more sustainably. For this reason, ongoing debates on “inclusive growth” at the OECD should identify how the substantive Committee insights and deliverables can advance a pro-growth and pro-prosperity agenda, as growth that brings people along extends beyond selected corporate responsibility initiatives.

The impacts of the pandemic on employment will be severe, in particular for young people entering the labour market. Therefore, pro-prosperity OECD growth strategies should also focus on how to provide young people with the skills and the resilient mindsets that are needed to thrive in the

evolving world of work. In light of current learning and workplace transformations, the OECD could also identify how training programs can be designed, financed, implemented, and evaluated to reskill and upskill people in our economies, encouraging their participation in such programs.

Turning our vision of a pro-growth agenda into action will require coordinated work of major OECD Committees. This will be necessary not only to increase the quality of outputs the OECD delivers, but also to increase its national and international impact.

Questions for discussion:

- *Do Member States agree on our proposal to launch an OECD comprehensive job-rich, pro-growth, pro-prosperity agenda within the Organization?*
- *How can the OECD best demonstrate, through its policy work, that pro-growth policies bring broad benefits to people and society?*

2. Address disruptions that hinder open markets

Open trade, based on well-functioning global value chains, cross-border investment and international mobility will be the main engines for economic and social recovery. The Covid-19 pandemic has highlighted once again that a predictable regulatory, trade and investment policy environment is indispensable to alleviate uncertainty about the framework conditions in which global supply chains operate. We have also seen new measures that do not meet their intended purpose while picking ‘national champions’ that disrupt the neutrality of the playing field.

To this end, Trade Ministries should closely collaborate with other Ministries, particularly those that take a national security lens to supply chain issues, and the OECD and governments should ensure that evidence-based analytical work on trade becomes more politically relevant – especially in times of emergency. To better prepare for future crises, we encourage the OECD and governments to work towards a common understanding of essential goods and services, which holistically covers global supply chains.

As the economic fallout from Covid-19 has brought into focus the need to strengthen supply chain resilience, we are highly concerned about calls for policies to re-shore global value chains, restrict the export of technologies, localize production and decouple our economies. Measures that prevent goods and services, including essentials, to move where they are needed the most, do not only disrupt production processes but can further erode trust in the international system. More regional diversification – and not less – increases the scope for businesses to cushion shocks, particularly those that may originate domestically.

While the Covid-19 pandemic triggered a major drop in global FDI, many governments have expanded foreign investment screening. Safeguarding essential security interests is legitimate and recognized by international investment law, however, policymakers should avoid complex investment screening mechanisms and measures that have the potential to discriminate against foreign investors in disguise, including preferential treatment of domestic firms as well as undue advantages to SOEs. To foster a pro-investment policy environment, policymakers must reduce barriers for foreign investment, ensure a competitive level playing field, including in the area of public procurement, reduce complexities in the regulatory environment, address the demand and supply sides of corruption, and ensure a robust and reliable intellectual property protection environment.

On a global scale developing countries have been hit hard by the economic and societal ramifications of the current pandemic. Governments should live up to official development assistance commitments and ensure that their investment also supports private sector investment. They should also assist policymakers on the ground with research, analysis and tailored guidance on effective policy action and domestic reform efforts, and foster capacity building measures, which support developing countries in boosting their resilience going forward.

In the accelerated digital transformation of our economies brought on by Covid-19, privacy, digital security and safety and robust secure digital infrastructure are paramount to ensure that open markets can work effectively. In the response to Covid-19, data-driven innovation and technologies, including artificial intelligence and Blockchain are advancing solutions across sectors in the crisis response, and at the same time boosting productivity in support of economic and social continuity. We need consistent, coherent policy frameworks at international level that reflect OECD global standards for the digital economy, and which allow business, governments and users of new technologies to share data across borders, in a trustworthy and efficient manner, maximizing potential benefits of data driven innovation for all. Global regulatory frameworks should aim to ensure that business ecosystems remain diverse, competitive and fair as economies digitize.

Coordinated, coherent and cooperative international approaches are the only way to meet the challenge of a global pandemic and maintain trust in our rules-based global trade and investment system. As a key part of a holistic economic policy response to this pandemic, a reduction in tariff and non-tariff barriers must be an effective tool in stimulating the economy and ensuring that critical products and services can reach people.

As OECD work has demonstrated the gains from deepening and expanding international specialization in global value chains, it is critical that the Organization's insights are effectively communicated to governments, stakeholders and the wider public. This is particularly important at times where global trade and investment are essential elements for innovation, job creation and getting our economies back on track.

Questions for discussion:

- *How can the OECD and governments reduce uncertainty and ensure that international trade and investment systems become more crisis-proof?*
- *How can the OECD promote a level playing field for trade and investment in 2021 against emerging challenges?*

3. *Looking beyond Covid-19: addressing long-term challenges and opportunities for people participation into the economy*

Equipping people with the skills and tools to find jobs in a rapidly changing environment is essential for ensuring that people thrive, prosper and support open markets both economically and politically. The integration of OECD insights should allow governments and business to implement a job-rich recovery following Covid-19 while empowering businesses, in particular SMEs, and workers to use the digital tools where relevant. Guidance from the OECD on how to best adapt—and innovate—during any potential disruptions in the next months will be important. While we need to identify how certain policies can facilitate telework in functions where it is both possible and desirable, not all jobs are suitable for telework and a legal right to teleworking would be counterproductive.

Policy integration also requires pragmatism and impact assessment as both business and governments need to understand what measures have worked versus those that have not in a number of inter-connected areas.

OECD cross-cutting work should safeguard economic growth, jobs and incomes, while yielding “double dividends” towards the achievement of important long-term policy objectives where possible, particularly addressing climate change risks and a just transition, increasing resource efficiency, ensuring energy security and preventing biodiversity losses. In this context, it is particularly important that the effectiveness and cost-efficiency of green stimulus measures is safeguarded. We encourage the OECD and Member countries to advance a clear and common vision of a sustainable green recovery from the Covid-19 crisis, working across Committees and closely liaising with autonomous bodies within the OECD framework, particularly the International Energy Agency, to foster the dissemination of effective best-fit policies for a sustainable recovery. The OECD can play a role in ensuring that the green transition is based on collaboration and cooperation among countries and regions, which will be the most constructive way forward.

OECD’s cross-cutting work on digital transformation should outline how digital innovation can support economic and social recovery. The OECD could collect practical solutions for advancing digital technology across sectors, and for enhanced access to education and upskilling, including capacity building for SMEs. Promoting the adoption of digital technologies offers great potential to boost the small business economy and support growth, both during the recovery and the post-crisis period.

As health is on everybody’s minds, the OECD should identify how to best integrate policy responses to respond to potential future events that could impact our economies and societies. For a number of years we have underlined that health is wealth, an investment rather than a cost to be contained. However, health policy needs to be well-designed as the OECD’s own estimates show that a fifth of health spending is considered wasteful and only 3% of health spending goes to prevention. Heeding that message would mean governments would bring together their employment, innovation, finance, and health agencies to think how their policies can strengthen healthcare systems and productivity.

As a business community, we have also identified foreseeable health-related challenges that will be very costly to society unless we take action now. The OECD can make a difference by investigating the incentives that are needed to address what works best should a new infectious disease or another emerging health threat reach pandemic levels, including Anti-Microbial Resistance. The OECD could evaluate what makes an effective public-private partnership in the fields of innovation and healthy lifestyles and encourage scaling up of initiatives that have tangible impact. Concurrently, we should also consider the mental health impacts that could hinder people’s well-being and their productivity arising from extended periods of social isolation and from the consequences of sudden and massive job losses following the pandemic.

Questions for discussion:

- *Do Member States and the OECD agree with our proposal to foster dialogue between Employment, Health, Finance, and Innovation Ministries to identify smart policies for the recovery and making our health systems more resilient? What role could the OECD play?*
- *What are best practice measures that foster economic growth, jobs and incomes, while yielding “double dividends” towards the achievement of important long-term environmental policy objectives?*
- *What new actions could the OECD undertake to promote policy integration through its Committees and deliverables that would enhance the coherence and consistency of its advice?*

II. Looking beyond the pandemic – Strategic recommendations for the 60th anniversary of the OECD

The current focus on addressing the consequences of Covid-19 should not take away our attention from reflecting on longer-term strategic challenges. The OECD 50th anniversary vision statement encouraged the Organization to expand its relations to non-member countries and to increase its global influence. For its 60th anniversary, business thinks its vision should reflect the value the Organization will bring to enable multilateralism further, ensure a level playing field and to serve as a leading strategic and forward looking actor.

The Organization could set to achieve the following goals:

Boost trade and investment in times where open markets are subject to criticism:

In line with its Convention, contributing to the “expansion of world trade on a multilateral, non-discriminatory basis” should continue to be very high on the OECD agenda. Open markets have come under severe pressure in recent years as doubts over their benefits have increasingly dominated the political agenda in some countries. Resulting rhetoric and policy actions currently threaten prosperity. The Organization should vigorously and visibly explain and communicate publically why trade and investment, paired with effective domestic policies, are essential to expand prosperity, reduce inequalities, and meet environmental challenges.

Extend global relevance of OECD standards:

OECD standards underpin enhanced productivity and a level playing field across markets. They are vital to ensure that everyone plays by the same rules and that reforms can be implemented. Going forward, increased cooperation with non-OECD economies should focus on spreading good practice. Furthermore, more non-Member economies should be encouraged to follow core OECD standards in areas such as taxation, economic governance, digital economy policy, and responsible business conduct, among others. We also encourage the OECD and governments to seek credible commitments from major emerging economies it engages with – including the People’s Republic of China – to ensure that a more global reach of OECD standards can help level the playing field for business.

Some countries are aspiring to become a member of the OECD. Any future membership expansion should be in line with the Organization’s objective to develop coherent policy advice. Candidate countries must prove their track record in promoting open markets, legal certainty, and the ability to enforce OECD standards.

Play a foresight role by anticipating major challenges and opportunities:

Instead of firefighting crises, international collaboration should proactively anticipate major challenges. Strategic foresight by OECD Members should lead to pragmatic policy choices and action for the future.

The OECD has the cross-disciplinary expertise and convening power to assess potential future economic, regulatory, health, environmental and demographic disruptions. It will not be enough to compile policies on country responses to crises like Covid-19. OECD strategic foresight should be solutions and action-oriented – drawing from experience of what has worked and not worked with the goal to prevent future disruptions from paralyzing our economies. This work can be done in part by embracing data driven technologies to enable more informed and timely policy development and innovation.

Demonstrate the benefits of international collaboration for people:

The OECD should tangibly show how international collaboration can identify much needed answers that will enable the people who participate in open markets to innovate and thrive. While stakeholders agree with the urgency of solving an evident skills gap, less agreement exists on how to solve it. Three tangible ways exist for the OECD to show that international collaboration is also made by people and for people. First, the OECD could deepen work in measuring the outcome of education systems and guiding governments on how vocational education training can adapt to labor market changes. Second, it could examine how innovative financing mechanisms can yield more skills programs that can be portable across jobs, and third, it could identify options for a common and trusted framework for skills and credentials recognition. In times where youth face soaring unemployment levels and also display the lowest levels of trust in public institutions, targeted efforts from the OECD to facilitate youth employment should be a focus for the next decade.

Questions for discussion:

- *How can the OECD's foresight capabilities be advanced based on its cross-cutting evidence based approach?*
- *How can business-to-government dialogue identify ways to show the people-first nature and results of international collaboration?*

To achieve these goals, we encourage OECD innovation as follows:

Communicate more effectively:

New technologies and social media have accelerated the challenge for policymakers, business, and stakeholders to process essential information. The OECD is a powerhouse for economic data, analysis, and knowledge, and this evidence should not sit on shelves. While we need in-depth analysis and targeted policy advice, the OECD must also contribute to the wider public debate with succinct, fact- and evidence-based policy communications. Our messages must resonate with the wider public to make sure empirical truths overcome sensationalist arguments, in particular when it comes to advocating for open markets, market-based economies and the fact that a healthy economy is essential for a healthy society.

Achieve focus and coherence:

For the OECD to “achieve the highest sustainable economic growth and employment (...) while maintaining financial stability”, as its Constitution states, it should consolidate and streamline the work of currently over 300 Committees and Working Groups to ensure effectiveness, fostering cross-cutting dialogue where appropriate.

A unique vantage point of the OECD is that it convenes actors from all government agencies. Beyond convening different actors in different meetings, the OECD could stimulate new ways to break down silos across government agencies to promote policy coherence. The OECD can foster policy dialogue and integration to show that economic and social well-being are two sides of the same coin. Clear and consistent OECD positions on critical issues to business should resonate clearly and coherently across its Committees.

Strengthen the role of Business at OECD (BIAC) as the representative institutional stakeholder for business:

Through our global network, we offer structured, high quality input and consolidated, representative policy guidance from business and employers in OECD countries and beyond. We

are ready to take on new debates and further deepen our business input through the OECD Committees and in overarching initiatives that Member States appropriately oversee. The OECD should build on its cooperation with *Business at OECD* (BIAC) as the officially recognized and representative business body bringing together business experts from across countries and sectors at technical, expert, and leadership levels in the OECD's policymaking bodies and outreach events. Our collaboration is particularly relevant at a time where transparency and accountability are fundamental to ensure stakeholder support in Member countries.

Questions for discussion:

- *What changes, if any, do Member States foresee in communicating the work of the Organization in a context of low awareness or scepticism regarding multilateralism?*
- *How can we further strengthen Business at OECD's visibility and role within the Organization and with Member States?*

ANNEX: 10 Policy priority areas for 2021 and key asks to the OECD

1. Economic and financial policy

- We encourage the OECD to support governments in developing pro-growth agendas through its evidenced-based policy analysis and best practice principles.
- In addition to advising on short-term measures, the OECD should assess how to best address longer-term economic challenges such as high indebtedness, weak productivity growth and population ageing.

2. Employment and education

- We call on the OECD to acknowledge that 20th century labor relations, production, and workplace models form the basis of many of the labor market institutions and social protection business cases today, and examine through a new study how these institutions should evolve in the 21st century, in order to promote open, dynamic and inclusive labor markets.
- We encourage the OECD to help fix the double skills gap of re- and upskilling by conducting further research on innovative finance mechanisms, guidance and support to increase workers' ability and motivation, and ways to encourage a skills-first approach to hiring.
- We encourage further work on advancing curricula and education system reform to reflect modern disciplines, technology and entrepreneurship, including soft skills and other competencies, and focus on teachers' training for new and evolving learning environments.
- The OECD and Member countries should address youth employment through targeted upskilling measures and support for enhancing the inclusion of young people in the labor market, including through apprenticeships and work-based learning.

3. Trade and investment

- The OECD should provide an important evidence-base on how countries can better prepare for future crises without disrupting global value chains and without imposing restrictions at a time where global trade, investment and the international mobility of people are essential elements for innovation, job creation and getting our economies back on track.
- The OECD should emphasize that an evidence-based reduction in tariff and non-tariff barriers is an effective tool in stimulating the economy, ensuring critical products reach consumers, and safeguarding food security. This should be a key part of a holistic economic policy response to this pandemic.
- We need the OECD to take a leading role in developing a strong messaging around the qualities of investment and public procurement and draw on its convening power and legal instruments to ensure a conducive environment for private investment both on national and international levels.

4. Health

- Leverage Anti-Microbial Resistance as an urgent area of policy research for the OECD—in particular the investigation of pull incentives.
- Propose and promote a clear and defined evidence-based approach to measure public-private partnerships' effectiveness and establish best practices that can be replicated and scaled up to reduce risk factors for non-communicable diseases.
- Analyze ways to reward digital solutions, including telemedicine, teleconsultations, and electronic health records and their integration into health systems reform.
- Look into comparative studies on how OECD countries and other major health care markets promote and incentivize investments in the health care sector, paying due attention to fostering innovation.
- Continue to analyze, research and invest in technologies, such as Artificial Intelligence (AI), wearables, remote monitoring/sensing, and robotics in healthcare.

5. Digital transformation

- Advance coherent and globally interoperable data policy frameworks that can lead to more responsible data sharing and collaboration, enforceable cross border data flow with trust, and advance innovation and inclusive growth.
- Deliver policy guidance that supports the creation and maintenance of innovative, environmentally and economically sustainable, resilient, well-functioning and secure communications systems and networks, including continuity of supply chains for network equipment.
- Advance policies through multi-stakeholder collaboration for the development and deployment of trustworthy AI based on the OECD Principles.

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- Deliver continued measurement and evidence, and develop metrics on the digital economy and its value across sectors and countries as a basis for policy recommendations.
 - Ensure that policy frameworks foster investment in digital infrastructure and capacity that enables business of all sizes to innovate, transform, and access opportunities offered by digital technologies, including frameworks for effective Intellectual property protection and enforcement.
- 6. Taxation**
- Ensure that OECD international tax standards ensure fair and growth-oriented taxation according to value creation and guarantee tax certainty to all stakeholders involved, benefitting companies large and small as well as tax administrations.
 - With the engagement of business, reach a sustainable multilateral consensus by mid-2021 on guidance for the OECD/G20 Inclusive Framework Project on the taxation of the digitalizing economy.
- 7. Responsible business conduct & anti-corruption**
- We call on governments to actively consult with business in discussions on responsible business conduct and due diligence in order to ensure that resulting policies reflect critical business realities and are implementable and effective on the ground.
 - We encourage the OECD to further explore the different dimensions of corruption, including the demand side of bribery, the nexus between corruption and human rights and the potential of new technologies for the fight against corruption.
 - We encourage the OECD to track regulatory obstacles to improving business resilience and provide support for incorporating lessons learned from the Covid-19 pandemic into our corporate governance frameworks.
- 8. SMEs and entrepreneurship**
- We look to the OECD for best-practice advice on how to foster SME and entrepreneurship activities, including SME finance, SME participation in global value chains, the reduction of administrative hurdles for SMEs, and employment and self-employment policies.
 - We strongly encourage the OECD to step up its work aimed at fostering SME digitalization, which is essential for addressing short-term challenges and long-term productivity growth.
 - Collect practical solutions across sectors in coordination with business 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.
- 9. Environment and climate change**
- We encourage the OECD and Member countries to advance a clear and common vision of a sustainable green recovery from the Covid-19 crisis by developing evidence bases on global environmental priorities, including climate, resource efficiency, and trade and the environment.
 - The OECD should ensure that economic stimulus measures to help restart our businesses and sectors can yield “double dividends” towards addressing climate change, increasing resource efficiency and preventing biodiversity loss, while safeguarding their effectiveness and cost-efficiency.
 - The OECD should work across Committees and closely liaise with autonomous bodies within the OECD framework, particularly the International Energy Agency, to foster the dissemination of effective best-fit policies for such a sustainable green recovery.
- 10. Competitive neutrality and state-owned enterprises**
- We encourage further work on supporting policymakers in designing, adopting, and implementing appropriate policies that ensure that state-owned and private businesses compete on a level playing field.
 - We underline the importance of work on maintaining competitive neutrality, including through a transparency and disclosure standard for state owned enterprises that are active at the international level.



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Established in 1962, *Business at OECD* stands for policies that enable businesses of all sizes to contribute to growth, economic development, and societal prosperity. Through *Business at OECD*, national businesses and employers' federations representing over 7 million companies provide and receive expertise via our participation with the OECD and governments promoting competitive economies and better business.