

**GOVERNANCE AND
SUSTAINABILITY
CROSS CUTTING THEME
INDUCTION DOCUMENT
ARGE CONSULTING**

JANUARY 2015



GOVERNANCE AND SUSTAINABILITY

CROSS CUTTING THEME

INDUCTION DOCUMENT

2015 marks a milestone year in which UN will establish Sustainable Development Goals (SDGs) and the Climate Summit to be held in Paris will be another milestone event related to global sustainability. Furthermore, continuity of the B20 agenda items is a key priority and a significant number of the recommendations of the Australia's chairmanship period were related to governance issues.

Therefore, B20 Turkey Executive Committee has decided to establish a specific work stream for "Governance and Sustainability" Cross-Cutting Theme to support the six Task Forces established who will focus on recommendations for enhancing global growth and job creation. B20 Executive Committee has asked ARGE Consulting to serve as the Theme Knowledge Partner. After having reviewed the following key goals of the B20:

- 1) In order to address current and emerging global issues, influence policymakers to implement measures that will enhance the business communities' contribution;
 - 2) Provide a clear set of implementable policy solutions and recommendations;
 - 3) Ensure the continuity of key agenda items from previous B20 presidencies
- we have decided to work towards an end goal of identifying what businesses can do to improve governance and sustainability.

Trust is the foundation of sustainable development. As the world continues to get smaller, our mutual interdependence increases and we all need to be able to mobilize others' resources and goodwill to achieve success. Mobilizing others' resources can only be achieved through gaining their trust. Gaining trust of all the stakeholders in the value chain can be achieved by implementing good governance in private and public institutions.

Most businesses understand that their sustained success depends upon the economic, social and ecological contexts in which they operate. But the stability of those contexts can no longer be taken for granted. As sustainability issues have become more global and pivotal to success, businesses are realizing that they cannot go it alone and there should be a collaborative approach by business, governments, and society.

B20 Turkey will focus on building trust by promoting good governance and integrated thinking in decision making process to achieve better sustainability. Good governance and sustainability are key for creating employment, creating inclusive businesses and societies, protecting the environment, and fighting anti-corruption. Both business and governments need to be responsible to achieve a viable world.

FRAMEWORK

The framework of theme consists of;

- Importance of governance in finding solutions to problems
- Importance of governance in coordination and implementation of solution actions
- Importance of responsible business conduct to achieve B20 and G20 targets
- Good governance and responsible business conduct as a requirement for reaching financial resources and being a member in value chains
- The role of SMEs in this transition.

IFC has conducted a survey on Emerging Market Investors by Vikramaditya Khanna, Professor of Law at University of Michigan Law School and Roman Zyla, Corporate Governance Officer in IFC. The results of the survey showed that;

- Importance of governance increased after 2008 crisis
- Corporate governance reforms may increase the attractiveness of countries for investments. Some investors believe that good governance practices of companies may eliminate weakness of countries
- Corporate governance is a critical factor in investment decisions for emerging markets.

Governance is important for both developed and emerging markets, however the relative importance is higher in emerging markets.

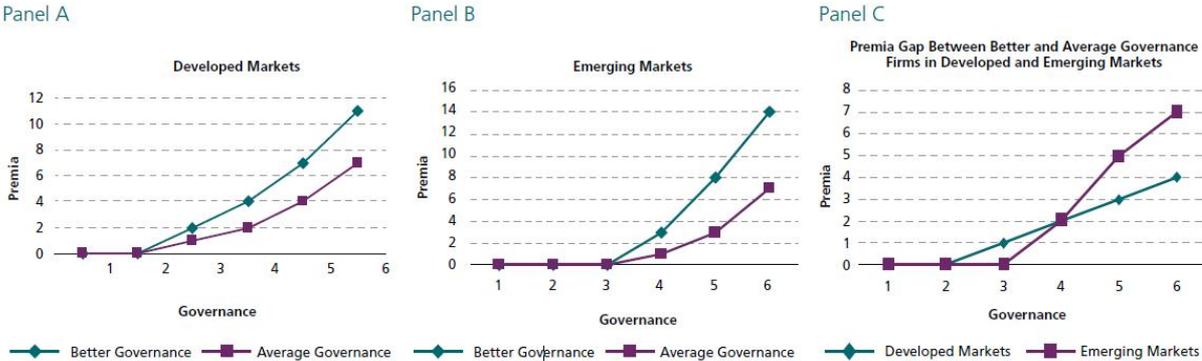
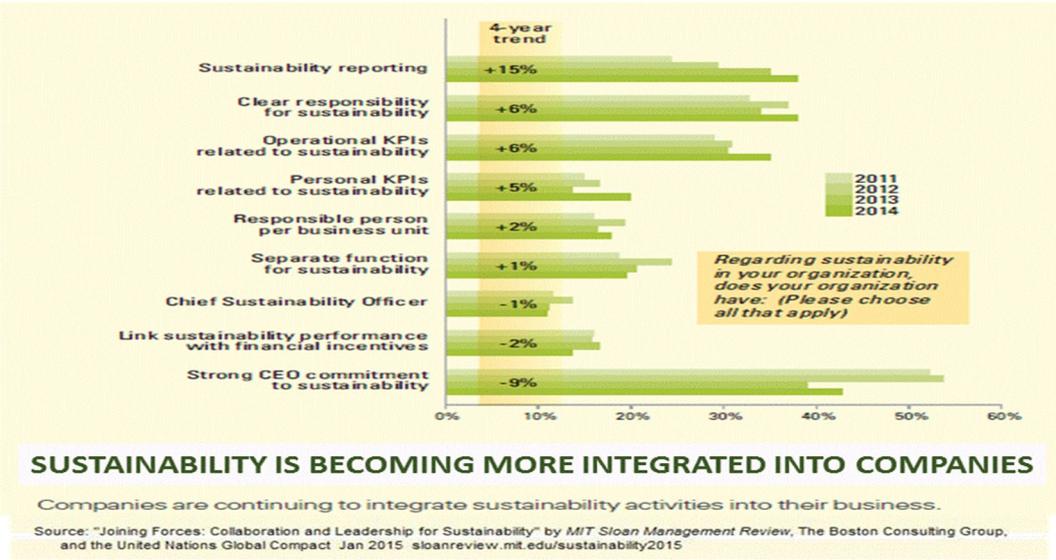


Fig 1: Effect of Governance in Investment Decision (Source IFC EMI Survey)

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Sustainability is a strategic issue and is part of risk management, value creation, cost reduction, marketing, and building new business opportunities. Stakeholder relations become more and more important for business conduct and reputation management. Sustainability approach also creates benefits for the society like protected environment, inclusiveness, and new employment opportunities. Sustainability is an important issue for governments for supporting inclusive society, improving wellbeing of people, creating new jobs and protected environment.

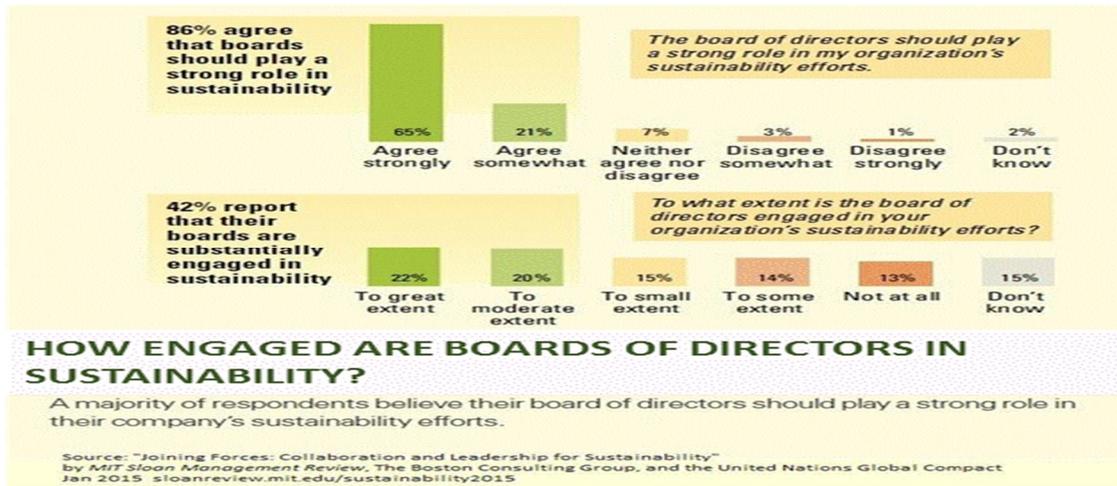
A research by MIT Sloan Management Review shows that, more companies are aligning sustainability to their business processes.



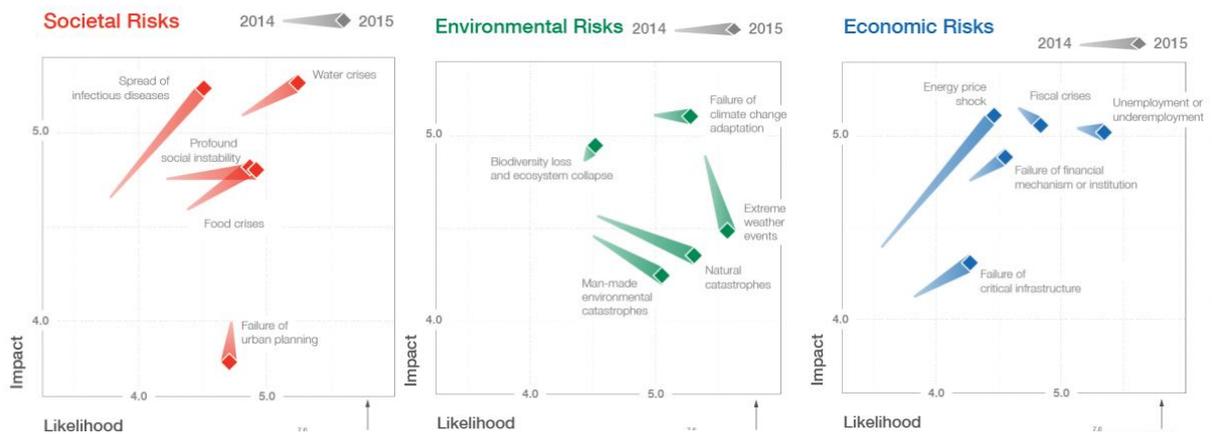
The same research also shows that, sustainability collaborations are strategic or transformational



The research also shows that sustainable companies need more board engagement.



WEF Global Risk Report 2015 shows that risk profile is changing and governance and sustainability are critical for risk mitigation.



All this information shows that, governance and sustainability are two interrelated issues to finding solutions, designing systems, implementing actions, and reaching solution targets for B20 and G20.

B20 AUSTRALIA RECCOMENDATIONS

Although Governance and Sustainability Theme is a new subject established during the Turkish Presidency of B20, a number of recommendations of all Task Forces during Australian Presidency are relevant:

Task Force	B20 Australia Recommendations	G20's Response	B20 Turkey's Approach
Human Capital Task Force	<i>Undertake structural reform to increase flexibility, adaptability and mobility within and across labor markets</i>	Reduce the gap in participation rates between men and women by 2025	Assess the impact of labor market policies (flexibility, adaptability, mobility) on growth
Human Capital Task Force	<i>Increase the alignment and responsiveness between the learning ecosystem and workforce needs</i>	Investments in quality apprenticeships, education, and training	Focus on skills financing and skills transformation best practices
Human Capital Task Force	<i>Monitor and measure G20 nation commitments to Human Capital and Employment Actions</i>	National employment plans	Asses plans and monitor their implementation
Infrastructure and Investment Task Force	<i>Establish, publish and deliver credible national infrastructure pipelines that have been rigorously assessed and prioritized by independent national infrastructure authorities, and which take full advantage of private sector finance and expertise, whether by traditional procurement, public private partnerships, or privatization of existing government assets.</i>	Improve information on project pipelines	Share global best practices on infrastructure agencies Develop standard approach to create, prioritize and sustain national infrastructure pipelines
Infrastructure and Investment Task Force	<i>Implement infrastructure procurement and approvals processes that are transparent, consistent with global leading practices, and include a commitment to specific time limits for regulatory and environmental approvals for major infrastructure projects, while respecting national policy objectives and not compromising the integrity of approvals processes.</i>	Not covered	Document and share globally best-practice procurement and contracting frameworks Ensure exchange of global best-practices

Task Force	B20 Australia Recommendations	G20's Response	B20 Turkey's Approach
Infrastructure and Investment Task Force	<i>Increase the availability of long-term financing for investment, including for infrastructure, by removing unnecessary disincentives for long-term investment, setting out national plans to promote the development of local capital markets, and promoting the provision of appropriate credit enhancement instruments and/ or co-investment mechanisms for infrastructure projects where required.</i>	Facilitate long-term financing from institutional investors	Develop standardized PPP and securitization approach De-risking private infrastructure investment
Trade Task Force	<i>Develop country-specific supply chain strategies</i>	Not mentioned in Communiqué, but part of several members' growth strategies.	Remove connectivity bottlenecks
Anti-Corruption Task Force	<i>Harmonize Regulations and Incentivize Responsible Business</i>	Not covered	Continue work on harmonization of laws related to anti-corruption
Anti-Corruption Task Force	Enforce applicable legal frameworks such as the OECD Anti-bribery Convention and UN Convention	Endorse the 2015-16 G20 Anti-corruption Action Plan	Determine the barriers of implementation and ways to enforce legal frameworks

NEW RECOMMENDATIONS

In this stream of work we would like to show how good governance and responsible business approaches could be a tool for solution to improve the environment for inclusive economic development. Based on that we propose below areas of interest;

- Why governance is critical for responsible businesses and governments?
- How good governance can contribute to achievement of B20 and G20 targets?
- How do sustainability issues improve risk management, innovation, and value creation?
- How integrated thinking and reporting can help to gain trust of all stakeholders?
- How responsible businesses could be supported and put in advantageous position in access to finance?
- How value chains could be developed by using responsible business approach?
- What could be the SMEs role in this transformation?

Understanding these can help;

- Governments in coordinating their activities in regulatory adjustments, developing common policies;
- Businesses for managing scarce resources in efficient way, making better and integrated decisions, having good relations with stakeholders, achieving good reputation, and identifying new value creation opportunities; and
- Societies in achieving better quality of life and inclusive development.

WORK PLAN

ACTIONS	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV
Preparation of Induction Document and circulation to Task Forces	█										
Kick Off		█									
Preparation of 1st Advocacy Paper and circulation to Task Forces		█									
Conference Calls			█								
Preparation of 1st Policy Document and circulation to Task Forces			█								
First Joint Meeting In Washington				█							
Governance and Sustainability Workshop by ARGE In Washington				█							
Preparation of 2 nd Policy Paper					█						
Preparation of 2nd Advocacy Paper and circulation to Task Forces					█						
2nd Joint Task Force Meeting Paris - OECD						█					
Finalization of Theme Report						█					
Conference Calls							█				
Final Policy Paper							█				
3rd Joint Task Force Meeting - Istanbul									█		
Governance & Sustainability Meeting In Istanbul									█		
Preparation of Final Advocacy Paper									█		
Advocacy										█	
B20/G20 Summit In Antalya											█