



**L20 Submission to the G20 Investment and
Infrastructure Working Group**
20-21 August 2015, Berlin

1. The Labour 20 (L20)¹, representing the voice of trade unions to the G20, submits the following comments for consideration to the G20 Investment and Infrastructure Working Group (IIWG) meeting in Berlin, 20-21 August 2015.
2. Having participated in consultations in 2014 and consistently submitted written submissions since then, the L20 would like to emphasize the importance of the IIWG engaging with a wide variety of stakeholders. Infrastructure investment and financing is an essential issue for all, including for civil society organisations and for trade unions. Moreover, workers provide a significant pool of capital for infrastructure investment via their savings in pension funds. The L20 calls upon the IIWG to improve transparency in its proceedings regarding the active participation of outreach groups.
3. On substance, we would like to share the following comments regarding sessions I, II and IV of the draft agenda of the Berlin meeting.

Session I - Supporting Improvements in Investment Climate

4. Under session I, the G20 IIWG is to address “country specific investment strategies”, the revised OECD Policy Framework for Investment (PFI) and on-going work by the IMF on “Public Investment Efficiency”.

Upholding human rights

5. Rule of law – through sound legal and institutional settings – is indeed imperative to insure that investors, both foreign and domestic, can come together to contribute to infrastructure financing. Rule of law however should apply to all, including citizens, workers and their communities, not just private investors. In the discussion on the design of country specific strategies and the revised PFI, the G20 IIWG should seek to encourage the observance of UN Human Rights norms, the ILO core labour standards and other relevant agreements and principles, such as the United Nations Declaration on the Rights of Indigenous People.

Policies to support public infrastructure investment

6. We welcome the inclusion of the item on “public investment efficiency”. Governments and their public procurement programmes are central in facilitating investment in the economy,

¹ The L20 is convened by the International Trade Union Confederation (www.ituc-csi.org) and the Trade Union Advisory Committee to the OECD (www.tuac.org), working in tandem with current L20 host organisations, TÜRK-İŞ, HAK-İŞ and DİSK. For more information, go to Labour20.org.

including infrastructure. In advanced economies, corporate investment has declined by an average of 25% since the global financial crisis compared with pre-crisis forecasts². The result is a lower investment share but higher profit share. The public sector must step in with a pro-growth investment package including infrastructure and green investment in order to kick-start private investment markets. The G20 IIWG should take the opportunity of this discussion on public efficiency to promote and increase wholly-owned public infrastructure investments.

Promoting collective pension schemes for infrastructure investment

7. While public investment is central in financing infrastructure, institutional investors, including pension funds, represent a significant capital pool that should be utilized to contribute to long-term investment. Yet, not all governance models are equal in facilitating infrastructure investment. Evidence shows that the largest pension funds with significant exposure to infrastructure are all based on sector-wide collective agreements (as indicated by the presence of member-nominated board representatives). In order to facilitate the creation of large capital pools with the ability to benefit from economies of scale and increased efficiency, the IIWG should help support sector-wide pension schemes based on negotiations between social partners – trade union and employer groups – and their capacity to engage collaboratively in complex infrastructure financing arrangements.

Session II–Facilitating Financial Intermediation

8. Under session II, the G20 IIWG is to address the pivotal role of financial intermediaries, including through the implementation of the G20/OECD High Level Principles on Long Term Investment (LTI) by Institutional Investors.

9. In our view, any long term investment strategy needs to be firmly rooted in responsible investment practices and the integration of environmental, social and governance (ESG) criteria as well as tax risks in the risk management of the portfolio. The High Level Principles on LTI provide useful guidance on how to remove regulatory and market barriers that prevent institutional investors from engaging in long-term investment strategies. They do not however sufficiently address these issues and how responsible investment practices underpin long-term investment and hence curb short-termist market behaviour.

10. The G20 IIWG should address how financial intermediation and asset management can effectively adhere to robust risk management standards, ESG and tax risk criteria, based on Principle 3.4 of the High Level Principles on LTI but also on other international instruments, including the UN Principles for Responsible Investment and OECD guidance on the application of the OECD Guidelines for Multinational Enterprises to investors – both instruments are being referred to in the G20 LTI Principles.

Session IV– Appropriate Legal and Institutional Settings & Improving PPP Models, Project Planning and Prioritization Process

11. We reiterate our concern about Public Private Partnership models due to the complexity of their contractual arrangements, as compared to traditional public procurement, and because of the

² Uneven Growth: Short- and Long-Term Factors -- Chapter 4. Private Investment: What's the Holdup?, WORLD ECONOMIC OUTLOOK, IMF April 2015 <http://www.imf.org/external/pubs/ft/weo/2015/01/>

threats to public services. Whenever public money is used to finance private projects, as in the case of PPPs, governments must ensure that fair and transparent risk-sharing arrangements are in place.

Weblinks

- 24/05/2015| L20 Submission to the G20 Investment and Infrastructure Working Group, 25-26 May 2015, Singapore, <http://www.ituc-csi.org/120-submission-to-the-g20-16222>
- 09/02/2015| L20 Priority Recommendations to the G20 Finance Ministers, February 2015 http://www.tuac.org/en/public/e-docs/00/00/0F/DC/document_doc.phtml
- 23/07/2014| L20 Submission to the G20 Investment and Infrastructure Working Group, 4 June 2014, Singapore <http://www.ituc-csi.org/120-submission-to-the-g20>
- 05/03/2014| OECD Task Force on Institutional Investors and Long Term Financing: TUAC Submission http://www.tuac.org/en/public/e-docs/00/00/0E/42/document_doc.phtml