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# **Everybody's Business: Strengthening International Cooperation in a More Interdependent World**

*Excerpt from the  
Report of the Global Redesign Initiative*

*Creating Employment, Eradicating Poverty and  
Improving Social Welfare*

By John McArthur and Dennis Snower

# Creating Employment, Eradicating Poverty and Improving Social Welfare

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## Introduction

The recent global economic crisis has underscored the fact that poverty, employment creation, and inequality of opportunity are challenges faced in all parts of the world. The problems differ widely in nature and severity by economy and society, but these variations do not render the challenges any less significant nor stubborn to the individuals that face them. Nor do they lessen the social strains wherever they are present. Many difficulties are the product of global forces. Many are the result of specific local challenges and particular local choices.

Concurrently, the benefits of globalization are remarkable for those who have the opportunity to enjoy them. But they often bypass the world's poorest countries. They also tend to fall much more generously on skilled workers than unskilled ones, even in the richest countries. The economic interconnectedness among countries implies that employment and poverty-reduction programmes are not isolated national issues. International cooperation is essential.

Importantly, the developing world has experienced tremendous progress over the past decade. The emerging economies of Asia have seen sustained economic gains alongside major improvements in human development, as measured by the Millennium Development Goals (MDGs) and other key international targets. Latin America and the Middle East have seen significant progress, even if more gradual. Sub-Saharan Africa still faces the most trenchant poverty, but it has enjoyed several years of sustained average economic growth, alongside many broader development breakthroughs. Much of this has been underpinned by sound economic management strategies. Much has also been underpinned by innovations in expanding services to previously underserved populations.

This chapter segments basic challenges across two main categories of countries: 1) the advanced and emerging economies that must coordinate their national and international efforts; and 2) the low-income and fragile economies where international decisions on policy and resource allocation have a greater proportionate role on domestic programmes. It aims to identify elements of a global strategy that will advance employment, human development, and social stability in all corners of the global community.

## Advanced and Emerging Economies

### Problems to Be Addressed

The following deep-seated problems need to be addressed with regard to employment, poverty and welfare in advanced and emerging economies:

- Finding a socially acceptable growth path will involve creating high quality, secure and inclusive jobs in environmentally sustainable sectors. The policy instruments and institutions are not yet in place to foster international cooperation in this domain.
- We do not have sufficient international cooperation to ensure that the world community responds flexibly and efficiently to future demands for skill.
- Employment policies are often not based on best practice and frequently give rise to poverty traps, while unemployment support often gives rise to unemployment traps.
- Migration policies often are not based on balanced appraisals of the host and receiving countries' needs.

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- The international dimension of education reform, geared to the skill requirement of the 21st century, is largely missing.
- Social inclusion is often overlooked in poverty, employment, migration and education policies.

## Principles

The actionable proposals in this section are based on a few simple principles.

- Since productive employment – particularly skilled employment – is the main route out of poverty, policy incentives for employment creation and skill acquisition are crucial instruments for poverty eradication.
- The inequality of earnings is commonly generated by the inequality of human capital. Consequently, economic equality can usually be achieved by compressing the distribution of human capital. Failure to accumulate sufficient human capital is a dominant cause of social exclusion. So an effective way of avoiding social fragmentation is to provide equal opportunities of access to education and training.
- Sustainable employment creation cannot be achieved primarily top-down through government employment programmes. Rather, employers and employees need to be incentivized to enter into productive relationships. The same holds for skills: skill acquisition must be driven by incentives that make education and training worthwhile for individuals and businesses. Nor can earnings equalization be reliably enforced through central edict, such as through minimum wage laws or constraints on executive pay. Over the long term, equal access to education and training incentives is the sustainable and effective means towards economic equality. Policies must be designed, both nationally and internationally, with a view to creating such incentives.
- Stable employment growth and poverty reduction will require the development of policies that promote labour adaptability. The reason is that – divergent growth rates among the advanced and emerging countries, advances in information and telecommunications technologies, the geographic decomposition of business value chains, and changes in the global distribution of human capital and purchasing power – a massive global reallocation of labour is in progress. In this changing world, the adaptability of skills is crucial. Employment stability will not be achieved by protecting existing jobs but by giving people the capacity to find the new jobs generated by changing economic and social conditions.
- A stable macroeconomic environment is required for employment growth and poverty reduction. Due to the economic and financial interconnectedness of the world economy, macroeconomic stability will require new efforts in global governance, in particular those that encourage the unwinding of global imbalances, combat protectionism and promote financial stability.

The following concrete proposals aim to put these principles into practice to create employment, mitigate poverty and improve social welfare.

## Recommendations

The main Global Redesign Initiative (GRI) recommendations – addressing the above problems and following the above principles – can be grouped under a few key categories.

### *Acquiring Skills*

In our globalized world, in which countries create wealth through trade and capital flows, it is generally undesirable to aim for self-sufficiency in skills. As the new information and telecommunication technologies bring individual businesses and employees into more immediate competition, it becomes increasingly important for economic decision-makers to identify their distinct comparative advantages on an increasingly microeconomic level. Doing so involves gaining information about one's skill requirements, both currently and in the future. The reason it is important to anticipate future skill needs is that it takes time – often many years – for the appropriate skills to be created. Not only is education and training often a lengthy process, but the

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establishment of the appropriate education and training facilities – along with the employment of the appropriate educators and trainers – takes even longer. Promoting skill acquisition is important not only for new entrants to the workforce, but also for older workers whose skills have become inappropriate to the available jobs. The latter issue is particularly salient in countries with ageing populations.

Recommendations by the Global Agenda Council on the Skills Gap:

- Improve access to information on national and industry supply and on demand for skills and trends in the human capital market to allow cross-border analysis  
Such databases should be fed decentrally by employers and employees, and supplemented through centralized forecasts. The results should be publicly available to employers and employees.
- Provide transparent information about all policies related to talent mobility
- Encourage the establishment of skill recognition mechanisms and their coordination in industries and occupations where talent circulation is likely to create win-win solutions between developed and developing countries
- Improve skill recognition and employability by encouraging international recognition and accreditation of teaching institutions, as well as an additional industry certification for academic diplomas
- Initiate a global effort to advance global standards for youth apprenticeship and promote the consideration of apprentice laws in emerging economies
- Promote lifelong learning and reskilling through various age-inclusive measures, including individualized skill accounts and incentives for employers to create jobs that take the needs and abilities of older workers into full account

These recommendations are aimed at helping people adjust to a changing future. In doing so, it is important for policy-makers to remain aware of the interconnections among people's skills: the greater the density of skills in a particular geographic region, the easier it becomes to acquire skills there. Thus policies related to talent mobility must be sensitive to the needs of both the source and destination countries, and agreements need to be forged with a view to sharing the benefits from talent mobility fairly between the sending and receiving locations. International coordination will be required for this purpose, drawing on the relevant international organizations (including the International Labour Organization (ILO), International Organization for Migration (IOM), Organisation for Economic Co-operation and Development (OECD), various UN agencies) for policy coordination, educational institutions for background analysis, business organizations for strategic input, development banks for funding, as well as national policy-makers and regulators.

### *Advancing International Mobility*

Leveraging comparative advantage in a globalized world will require the international mobility of human capital. For this purpose, it is important to improve skill recognition through the international accreditation of teaching institutions, as well as additional industry certification for academic diplomas (rather than independent post-education testing). Such an international initiative will require a dialogue among the relevant international institutions (such as the ILO, IOM, UN Development Programme (UNDP), UNESCO, OECD, regional development banks, World Bank) as well as the active cooperation of national governments.

Recommendations by the Global Agenda Council on Migration:

- The international movement of workers should be made safe, legal and orderly by regulating all intermediaries and controlling recruitment fees.
- Foreign workers should be given the labour and social rights that derive from legal employment.

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- Upskilling and skill portability should be promoted by encouraging foreign workers and their employers to document upskilling, so that the workers' skills can be used for occupational advancement.
- Reintegration of foreign workers should be treated as a shared responsibility of source and destination countries, enhanced through pension portability.

Benefits from international mobility should also be balanced between the needs of source and destination countries. For example, advanced economies must take care not to overreach in recruiting highly skilled workers from low-income countries, and should consider compensation packages as a countermeasure. In the course of international cooperation, it is also important to exploit synergies between the mobility of labour and the mobility of business. Specifically, the mobility of labour towards places with job opportunities often depends on the mobility of enterprises towards places with skills, and these two forms of mobility must be encouraged jointly as part of an integrated policy approach, allowing one form to supplement the other.

### *Promoting Inclusion*

Education and training policies should be used as instruments of social inclusion. There are various ways to pursue this goal, as suggested by the Global Agenda Council on Talent & Diversity:

- Global institutions should be encouraged to become models for inclusive diversity by adopting a voluntary code of conduct, which other organizations could choose to adhere to.
- A Global Inclusion Index should be created at the country level, to incentivize countries to enact diversity-friendly policies for employment and education.
- Global institutions should cooperate in establishing a set of standards and best practices for building inclusive working environments and organizational cultures that can serve as a voluntary certification system for aspiring organizations.
- Policies and practices should be promoted to encourage minority and female entrepreneurship.
- Diversity and inclusion should be embedded as a core part of MBA curricula around the world.

Implementing these recommendations will require the involvement of international institutions (such as the OECD, ILO and UNESCO), educational institutions, and the relevant national policy-makers.

### *Creating Employment*

In the advanced industrialized countries, it is desirable to support the unskilled through a combination of employment incentives and unemployment support. The aim should be to secure employment but not jobs.

Recommendations:

- The Global Agenda Council on Employment & Social Protection suggests that the G20 mutual assessment process of sustainable and balanced growth should include the objectives of creating quality jobs and inclusive labour markets.
- Unskilled workers who lose their jobs should be given far-reaching support to re-enter the workforce (such as hiring and retraining subsidies, payroll tax reductions, childcare support, job counselling, as well as adequate income support while unemployed); in return, they must accept the jobs they are offered, even if the new jobs require substantial readjustment. The "flexicurity" approach to employment policy is an example of this combination of job flexibility, unemployment support, and work activation.

Although developing countries clearly cannot afford to provide unemployment support and employment incentives that can be mobilized in advanced economies, these countries have an even greater need to use employment incentives to promote social cohesion. On this account, it is desirable that some aid for

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developing countries be aimed towards promoting employment and training, with aid-recipient countries encouraged to identify skill shortages that are obstacles to development. Furthermore, aid should support job-creating investment in clean energy industries in the developing countries.

Recommendations:

- A priority for development financing should be incentives for the creation of productive work.
- Climate financing and technology-sharing arrangements should be established to support job-creating investment in clean energy industries in developing economies.

### *Promoting Economic Security*

**Employment security cannot be established simply through legislation and regulation;** rather, it must be supported through the skills and adaptability of the workforce.

Recommendations by the Global Agenda Council on Employment & Social Protection:

- The G20 should explore ways of providing funding for a floor of social protection in developing countries.
- The current measures of economic performance, such as GDP, should be extended to include measures of environmental sustainability, income distribution, and basic social protection.

As noted, employment security depends on a stable macroeconomic environment. The latter requires international macroeconomic policy coordination. Various Global Agenda Council proposals, including from the Council on the International Monetary System, on reforming the international monetary system with a view to reducing global imbalances are relevant here. Further Council proposals from the Council on Systemic Financial Risk on reducing systemic risk – particularly, policies to prevent the build-up of asset bubbles, regulation to promote transparency and limit financial contagion, and the global assessment of risks and policy implementation through strengthened Financial Stability Board (FSB) and International Monetary Fund (IMF) roles – are useful to ensure the stable growth of global demand and thereby the stable growth of global employment.

Since most policy instruments devoted to employment creation and poverty reduction are in the hands of national governments, while many advanced and emerging economies face employment and poverty patterns that are interdependent, the recommendations above need to be pursued on two levels simultaneously: by gathering information and analysis, establishing voluntary rules of conduct, publicizing best practice at the supranational level (through the involvement of the OECD, ILO, UN, World Bank, etc.) and through exchanges with the relevant ministries of national governments.

### **New Approaches to Partnership in Lower-Income Environments**

In all countries, global forces play a major role in affecting trends, while national governments maintain primary responsibility for delivering outcomes. In middle-income countries, governments have greater capacity to tackle the core issues of acquiring skills, promoting inclusion, and promoting economic security, as described above, and issues of foreign aid and global public finance play much less of a role in overall development progress. In low-income countries, governments have minimal resources available and populations typically face much worse consequences when global economic headwinds prevail. In fragile countries, governments and societies are commonly teetering with few coping mechanisms, wavering on the brink of instability or worse.

Importantly, private sector actors are playing a significant and growing role in global development efforts, through many channels. On the side of pure business, the rapid proliferation of information and communications technology (ICT) has contributed enormously in opening new opportunities for service delivery

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and income generation. On the side of public-private partnership, many companies have worked closely with global institutions and public procurement bodies to ensure leading technologies like medicine and long-lasting insecticide treated nets are made universally accessible to extremely poor people. Others have helped to design innovative sources of finance, ranging from Advanced Market Commitment for vaccines to voluntary airline taxes in support of global health. And several eminent business leaders have played pivotal roles in mobilizing advocacy and implementation partnership campaigns on key global issues.

The GRI process has emphasized that in the economic environments of middle-income countries and also in the more advanced parts of low-income economies, social entrepreneurship can play a major role in supporting innovation in service delivery, the improved commercialization of local enterprise, environmental protection, and employment creation. In countries ranging from Brazil to Kenya to India and Indonesia, social entrepreneurship models tend to emphasize the development of business skills through a support model made possible by subsidized capital. When social entrepreneurs are successful in helping businesses either launch or expand employment on a profitable basis, they are providing a vital public service.

Most governments do not have a legal category for social enterprises or policies on partnering with them. Most international agencies lack systems for approaching social entrepreneurs, learning from them, and helping to scale their success. Many social entrepreneurs face tax disadvantages, have difficulty raising capital, and face challenges to cooperating in partnership with governments. To expand social entrepreneurship's models and benefits, the Global Agenda Council on Social Entrepreneurship has two overarching recommendations:

- The 150 members of the Schwab Foundation for Social Entrepreneurship should launch a self-organized Global Alliance of Social Entrepreneurs that can together catalyse breakthroughs for social entrepreneurship.
- Within 24 months, a Consultative Group for Research to Advance Social Entrepreneurship (CGRASE) should be launched. The proposal is modelled on the very successful Consultative Group to Assist the Poor (CGAP), which is housed at the World Bank and has played a major role in advancing microfinance globally. The CGRASE would conduct research, develop proposals and promote policies to maximize the societal benefits of social entrepreneurship, including tax incentives, legal frameworks, and financial structures. It deserves important consideration by governments and interested private foundations over the course of 2010 and 2011.

Individual members of the Global Agenda Council on Social Entrepreneurship have also recommended a series of specific initiatives, most informed by the successes of their own organizations. These include:

- Launch a scaled funding mechanism for philanthropists and donor capital to provide time-bound "smart" subsidies for introducing new technologies to poor people, especially rural poor
- Launch a Global Social Business Fund to End Hunger, with an initial allocation of US\$ 2 billion over three years, to support businesses that recycle all profits towards the goal of expanding services to address social needs
- Develop tax incentives to promote social investments and their impact for sub-median income and wealth groups in all countries, building on the Community Investment Act in the US or the incentives for sustainable investments in the Netherlands
- Create an international social stock exchange anchored in a charter to benefit populations below median income levels
- Launch a High-impact Entrepreneurship Index to map out entrepreneurial activity by organizations around the world

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- Launch a Global Innovation Portal that can highlight success stories, profile innovative entrepreneurs, outline best practices for funders, and host a pipeline of business opportunities for impact investors and philanthropists
- Launch a global network of national business plan competitions to identify an ongoing pipeline of rural entrepreneurs
- Establish a concessionary framework for corporations to license their intellectual property for unmet social needs, in line with the Young Global Leader (YGL) Task Force recommendation to open intellectual property access for development
- Create the Community of Practice to promote the equitable distribution of land rights to women and men, with programmatic pillars including an e-library of laws and materials plus systematic professional training programmes

These individual recommendations are all worthy of serious review, and several could be merged into a common agenda, including the Global Innovation Portal, the High-Impact Entrepreneurship Index, and the global network of business plan competitions. The emphasis on innovation could also link to the work of the Global Agenda Council on Philanthropy & Social Investing, which recommends that the World Economic Forum launch a Social Competitiveness Index that ranks countries based on their ability to create new models and technologies, to test and refine models based on evidence of impact, and to take proven models to scale.

### The Millennium Development Goals: A Unique Priority

One of the areas of greatest international progress over the past decade has been the establishment of a common global agenda for supporting the poorest of the poor through the MDGs. This new era of conceptual coherence has bolstered many critical development breakthroughs, especially in global health. Common success factors include: 1) focused policy advocacy on the implementation of known technologies; 2) national implementation strategies, crafted by developing countries themselves and submitted to global funding bodies with multistakeholder governance; 3) independent international technical review and support for those national strategies; 4) strong emphasis on performance metrics; 5) adequate pools of public finance.

The chain of causality from the first to the fifth factors is noteworthy, since it has been the highly targeted partnership efforts – focused concurrently on advocacy, fundraising and system design – that have led to the most significant scale-up of financial resources, global delivery mechanisms, and development results. Such campaigns have dramatically altered the global health landscape, as measured in practical terms like immunizations, antiretroviral therapy, and malaria control. The same lessons show early signs of taking hold for global programmes promoting smallholder agricultural inputs.

### The Gaps

Nonetheless, the international development system's support to low-income countries still faces several major gaps. Most notably, the MDGs will pose one of the most fundamental tests for the GRI and the international community over the next five years. Since there are enough lessons of success alongside basic achievement gaps, the key question is whether the world can organize itself over the coming five years to carry the momentum from the success stories forward to address the gaps, some of which include:

- Most international development institutions and processes remain inadequately goal-based, despite common rhetorical support for the MDGs. The 2005 Paris Declaration on Aid Effectiveness and 2008 Accra Agenda for Action have started to improve coordination, but much more is needed to link systems properly to development goals.
- Several critical global development priorities have been overlooked on a generational basis, including agriculture, water and economic infrastructure.

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- Global public financing commitments remain significantly short of the amount required to achieve the MDGs and other agreed development targets. High profile public finance pledges, such as the G8's Gleneagles promises for 2010, have in practice been ignored by multiple G8 economies.
- Official development assistance under-leverages private market instruments that can increase the amount, predictability and flow of resources, while decreasing the cost.
- There are no systematic international mechanisms for identifying service delivery innovations and scaling them up through public finance.
- The MDGs remain inadequately understood as being most crucial for women and girls, since they typically face the greatest burdens of extreme poverty, hunger and disease.
- Success stories are poorly understood by the general public whose support is needed to underpin ongoing resource mobilization and to continue global development momentum.

These global system challenges face a double burden in tackling the problems of fragile states, where ground-level environments are most precarious and the world has limited information on what approaches work best. The tragic recent earthquake in Haiti has vividly illustrated the enormous costs of natural disasters in impoverished environments. The relief and recovery effort in turn underscored the challenge of coordinating and delivering international support to a dramatically weakened government that was already struggling to deliver basic services. The complex political history in and around Haiti has also exemplified the need for a flexible approach to supporting the grounding of basic governance systems.

Situations of violent conflict present some of the most difficult challenges. Evidence on the causes of conflict remains fragmented, although the poorest communities under the greatest climate stress face tremendous risks. The sequencing of how best to support progress in fragile environments remains still less concise beyond basic notions of security and economic stability as preconditions. Financial management presents major difficulties, since typically domestic accountability systems are weak and unresponsive to local needs, while international disbursement systems are slow-moving and risk averse, leading to major delays where fast action is needed. Low expectations can be self-reinforcing among key stakeholders, perpetuating the state of fragility.

### Moving Forward

As a first principle, sustained progress in the poorest countries requires *both* economic growth and public service scale-up. Reductions in income poverty, for example, can only be achieved through broad-based economic growth that promotes private entrepreneurship and reaches rural and urban households at full scale. Successful service delivery meanwhile requires adequate public finance to ensure equitable access among even the poorest households, regardless of whether services are themselves delivered through government or non-government channels.

Progress also requires a new notion of partnership spanning government, business, science, philanthropy, and general publics. Leadership must be encouraged from each sector to join coalitions where their efforts can make key contributions. Advances in online social networking and mobile telephony can now connect global communities of interest, financial resources, and monitoring systems on a real-time basis. The international malaria campaign has seen a vivid demonstration of this dynamic in recent years as global business leaders have coordinated closely with African political and technical leaders, donor governments, multilateral institutions, leading scientific communities, major media outlets, high-profile celebrities, and enormous online communities to reach specific programme targets.

A recent YGL initiative underscored the new spirit of partnership by emphasizing the opportunities for non-traditional MDG leadership and action. Although government actions remain crucial, the entrepreneurialism, enthusiasm and engagement of broader constituencies are necessary for the MDGs to be achieved. At the

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World Economic Forum Annual Meeting 2010 in Davos-Klosters, the YGLs launched a new strategy in which individuals and organizations can identify and pledge practical efforts that tap into their professional or personal networks to advance the frontiers of MDG implementation, awareness, and resource mobilization. This “People’s Plan of Action for the MDGs” aims to make the goals accessible to everyone while emphasizing results-based approaches at all scales. An emerging YGL initiative on Science and Technology for Sustainable Economic Development also aims to mobilize global scientific communities to support MDG achievement.

A collaborative focus on action should also guide an overarching approach to identifying and funding innovation in development partnership. Members of the Global Agenda Council on Poverty & Development Finance have suggested that the World Economic Forum support the creation of a Global Aid Partnership for Innovation (GAPI). The GAPI would focus on advancing three new initiatives, each of which deserves to be fleshed out through a detailed business plan describing incentives and financing structures. The first is Global Venture Aid Fund for Innovation (GVAFI) that would bridge government, philanthropic and business leaders to seed new initiatives and scale up early-stage successes following systematic evaluation. The second is an annual global competition for innovative solutions to key development challenges. The third is a website that would serve as an organizing platform for the GVAFI and global marketplace of ideas, aiming to promote information sharing and peer pressure among innovators. This could be merged with the Global Innovation Portal for social entrepreneurship described earlier.

Further recommendations fall under three broad categories of international development priorities: the MDGs, innovations in global public finance, and fragile states.

### *Action Areas for the MDGs*

In September 2010 the UN will convene its last major MDG check-point summit, and President Obama has committed to presenting an MDG action plan at that event. A renewed push is required for the MDGs over the next five years, and it will not suffice for a plan simply to call on governments to do more. Overall governance systems and service delivery platforms remain critical, as is a holistic approach across the goals, but targeted advocacy-design-fundraising partnership campaigns are also needed for the goals that still face systematic gaps.

An *action plan* requires the goals to be framed around eight *action areas* that guide the organization of professional communities, institutions and delivery mechanisms – noting that any translation of the goals to action areas will be inherently imperfect. Importantly, none is a purely public sector affair. They require leadership groups and special envoys (or equivalents) that can take at least indirect responsibility for coordination, planning, fundraising, public engagement, and general problem-solving across constituencies. Importantly, these communities can also naturally extend to support emerging economies once formed.

**(MDG 1 - a) Economic growth strategies.** Country-led growth strategies need at least three key components: rural development, urban development, and national infrastructure, including for trade. The latter includes both energy and transport, especially roads, and forms a special priority for landlocked countries. Roads typically require major public investments while energy typically requires public-private partnerships. All growth components require careful attention to the regulatory frameworks and incentives that will boost private investment and market-based job creation.

**(MDG 1 - b) Agriculture and nutrition.** Food production (quantity) and quality are essential for achieving the hunger goal. Boosting agricultural productivity is also crucial for economic growth in countries where smallholder farmers form the majority of the population and labour force. Malawi, for example, has doubled its national food production since 2005, spurring rapid economic growth that has far outpaced the global downturn. The successful launch of the new G20-backed smallholder agricultural trust fund remains instrumental to helping more countries enjoy similar success.

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**(MDG 2 and 3) Education.** Education for boys and girls is both a critical goal and an action area. The MDG emphasizes primary education, but access to secondary education is also important for many reasons, including child health, maternal health, incentives for primary school completion, and skills to fuel economic growth. The Education for All-Fast Track Initiative should be recast as a full Global Fund for Education, as President Obama has recommended. This would require full financing, representative governance from all stakeholders, and a broad mandate around primary and secondary schooling. An imminent opportunity to advance this agenda will come at the education summit President Zuma is hosting during the 2010 World Cup in South Africa.

**(MDG 3) Gender equality.** All of the action areas need to include specific strategies for tackling challenges faced uniquely by girls and women. On top of this, critical actions are needed to focus on overarching priorities for gender equality, including women's political representation and the intolerable ongoing epidemic of violence against women.

**(MDG 4, 5, 6) Basic health.** Recognizing the integrated nature of "vertical" and "horizontal" programmes in health systems, the goals for child mortality, maternal health, HIV/AIDS, malaria and other infectious diseases merit integration into a consolidated agenda for primary health. This includes professionalized cadres of paid community health workers. In March *The Lancet* notably called for the Global Fund to Fight AIDS, TB, and Malaria to be recast as a Global Fund to support all of the health-related MDGs.<sup>1</sup>

**(MDG 7) Water and sanitation.** The MDG targets for water and sanitation have seen major worldwide progress, but the international system lacks proper institutional mechanisms for tackling the targets, forming one of the greatest gaps for MDG implementation. This major priority will need to draw significantly upon public-private partnerships.

**(MDG 7) Ecosystems management.** The targets for biodiversity and ecosystem merit a concrete action plan guided by ecological expertise.

**(MDG 8) Information and communications technologies (ICT).** Outside of the other key priorities for aid and trade, the major remaining gap of MDG 8 is in information and communications technologies, which is overwhelmingly an area for ongoing private sector leadership in the context of efficient government regulation. ICTs are also a key pillar of expanding financial services to the poor.

### *Innovations in Global Public Finance*

Since shortfalls in global public finance remain fundamental impediments to the achievement of the MDGs and other core international targets, innovative financial structures are required to promote government accountability in instances where financing gaps reflect fundamental weaknesses in the intergovernmental commitment mechanisms. The International Financial Facility for Immunizations provides a mechanism for governments to front-load cash available to the Global Alliance for Vaccines Immunization (GAVI) under the promise of long-term bond commitments. Advance market commitments for vaccines provide up-front public purchase guarantees as an incentive pool for specific vaccine innovations. Further potential innovations include:

- Governments could consider commitments to pay aid on the condition of developing countries reaching pre-specified development targets and outcomes. Targets could range from inputs to outcomes, such as the number of safe drinking water points, completion of school exams, or reductions in child mortality. The Global Agenda Council on Poverty & Development Finance has drawn on a Center for Global Development recommendation for a "cash on delivery" (COD) mechanism whereby donors make payment by unit of result, e.g., a dollar value for each child who completes primary school. Developing countries would have significantly greater flexibility and autonomy to manage their own programmes towards agreed targets.

<sup>1</sup> *The Lancet*. 2010. "The Global Fund: replenishment and redefinition in 2010." March 13. Vol. 375: 865.

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- The COD idea could be linked to “social impact bonds” that help free up resources in the near term. For example, donor bodies could commit to long-term structures that have final repayment anchored in independently audited development results, while socially-minded investors provide the up-front liquidity to finance programmes. This could merit a label as a system of advance payment for audited results. Such a system would help improve joint accountability between developing and developed countries, with improved year-on-year predictability of resource flows for developing countries (contingent on results) and strong justification for donor country taxpayers that their resource transfers are linked to results.
- Developing countries can pool efforts for financial guarantees. The African Leaders Malaria Alliance has just launched a major pooled procurement mechanism for bed nets, allowing participating countries and bed net manufacturers to overcome a series of liquidity and purchase order bottlenecks that individual countries have had much more difficulty tackling on their own. Such an inter-country cooperative mechanism could be used to pool broader procurement and programme plans on a much more systematic basis.
- Governments and private philanthropists could together create an investment window that supports technology adoption among poor people, as described in the above discussion on social entrepreneurship. Such a fund would provide an important global public good, especially if tied to business plan competitions and the YGL Missing Middle Initiative<sup>2</sup> recommendation that would support SME venture funds and the intermediation processes for business support. It could also tie to an insight through which private foundations can make new contributions by leveraging their balance sheets on a more systematic basis, as the Bill and Melinda Gates Foundation has started to do. One recent estimate suggests that by setting aside only 1% of their balance sheets to support guarantees and related financial instruments, US foundations could directly expand resource flows by US\$ 6 billion per year.<sup>3</sup>

### *New Frameworks for Fragile States*

To address the challenges of fragile states, the Global Agenda Council on Fragile States has focused on developing a new approach to accountability and governance. This includes an emphasis on partnership-driven financial management systems anchored in joint accountability standards and national responsibilities for service delivery.

Recommendations by the Global Agenda Council on Fragile States:

- A framework of “National Accountability Systems” to strengthen public financial management through a series of basic tools and conventions, including the regularization of the treasury, consolidation of the budget as the central tool of policy-making, tailored procurement systems, and core audit protocols
- A framework of “National Programmes” to ensure the state systems are responsive to the evolving needs of civil society and markets. This approach hinges on unified rules, careful sequencing of programmes, and ongoing recalibration of goals and tasks. National Programmes could support government skill-building, community block grants, urban decision-making processes, sector-wide approaches for health and education, and initiatives to consolidate the rule of law. In support of this last item, the Council on Fragile States has also previously recommended the establishment of an international system to support policing, akin to the role of peacekeeping for military issues.

The Council’s proposals are comprehensive in highlighting many of the key inputs to governance systems. They are complementary to broader policy debates on how best to support fragile states, including how best to promote livelihoods through industry and agriculture, how best to streamline and leverage remittance income where it is a significant macroeconomic factor, and how best to manage issues of internal and cross-border migration. Debates persist on the best ways to create positive expectations around the state’s sense of legitimacy among key stakeholders. World Bank President Zoellick, for example, has underscored the importance of basic services, especially visible ones, as a pillar in this direction.

<sup>2</sup> The Missing Middle Initiative aims at filling the gap in capital above microfinance and below the traditional institutional financing of companies, which is very prevalent in particular in developing countries and limits the growth opportunities of local businesses. The funding would be accompanied by business support services specifically targeted at SMEs to provide them with the tools and knowledge necessary to grow.

<sup>3</sup> Friedman, Alexander. 2010. “How Banks Can Help the World’s Poor.” *Financial Times*. March 7.

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The broader issue to consider around fragile states is how to reduce stress factors such as poverty, slow growth, and negative economic and weather shocks. Related priorities include investments in water and agriculture, and sequencing issues around support for food, health, and wealth. Ultimately there is a need for broader emphasis on actions that provide an economic buffer – and a climate buffer in the predominantly rain-fed agricultural economies of Sub-Saharan Africa. Strategies to boost smallholder farm productivity on a sustained basis produce a double win by decreasing hunger and increasing economic resilience. As Burke and colleagues<sup>4</sup> have recommended, this implies a need for policies to support inputs, irrigation, and improved crop varieties. It also suggests the need for climate-indexed foreign aid insurance for countries exposed to the greatest risk.

## Next Steps

This essay addresses a wide range of topics and activities, and many of the recommendations are accompanied by descriptions of key next steps. These all aim to inform the deliberations at major upcoming international meetings, including the World Economic Forum Global Redesign Summit in May 2010 in Qatar, the June 2010 G8 & G20 summit in Canada, the November 2010 G20 summit in Korea, and the World Economic Forum Annual Meeting 2011 in Davos-Klosters. We conclude here with some comments on the main clusters of recommendations.

## Regarding Advanced and Emerging Economies

The recommendations on creating employment and promoting economic security will need to be discussed first with policy-makers in the employment and finance ministries of various countries, since most policy instruments in this area are in the hands of national governments. Discussions with such policy-makers, at the 2010 Global Redesign Summit in Qatar and elsewhere, could generate a portfolio of feasible policy strategies, which in turn could be discussed with relevant international organizations such as the OECD and the ILO.

The recommendations on acquiring skills, advancing international mobility and promoting inclusion will require cooperation across policy-makers in national governments and international organizations (including the OECD, ILO, UNDP, UNESCO, World Bank, and regional development banks), educational institutions (such as major business schools), and multinational companies. Here a multistakeholder exchange on best practice and desirable policy options is required.

Both sets of recommendations should generate international policy guidelines for the G20 meeting in November 2010 and open policy questions for the World Economic Forum Annual Meeting 2011 in Davos-Klosters.

## Regarding Lower-Income Economies

Launching the recommendations around social entrepreneurship will require a coalition of governments, philanthropic leaders, and current entrepreneurs, with each initiative confirming and pursuing its respective strategies, timetables and resource requirements. These are ideal initiatives to be launched through the World Economic Forum's unique convening power, so the relevant Global Agenda Councils and task forces could target both the Forum's Annual Meeting and its regional meetings throughout the world as pertinent deadlines for launching key efforts.

The recommendations for the MDGs are of unique importance for the GRI and the broader international community. The priorities are time sensitive, and require concerted intergovernmental attention at the June G8/G20 meetings and in key regional forums, such as the African Union, in advance of the September 2010 UN MDG summit. The recommendations for fragile states require further distillation, and need to be discussed in the same venues as well as the fall Annual Meetings of the IMF and World Bank, where many key multilateral development design issues are considered in more detail.

<sup>4</sup> Burke, Marshall, Edward Miguel, Shanker Satyanath, John A. Dykema, and David B. Lobell. 2009. "Warming increases the risk of civil war in Africa." *Proceedings of the National Academy of Science*. December 8. Vol. 106: 49.

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## Regarding the Global Community for Redesign

An overarching theme here is the need for new forms of global partnership. Leaders from government, business, non-profit organizations, and general publics will have many opportunities to mobilize key constituencies while leading by example. The June 2010 quinquennial summit of the UN Global Compact will be a major opportunity for business leaders to make concrete commitments. Worldwide coalitions of non-governmental organizations are rallying communities of interest unstintingly around key global priorities. Many social networks are leveraging online technologies to spur new global movements every day.

The World Economic Forum has a special ability to embrace and carry forward this new notion of action-oriented global partnership. Perhaps nowhere is this evinced better than in the World Economic Forum's community of Young Global Leaders, who are coordinating resources across public, private and non-profit sectors to launch an array of pioneering efforts.

These are just some of the many efforts that lead us to think breakthroughs in global redesign are feasible, much faster than many think. A global movement is under way to advance employment, human development, and social stability in all corners of the world. The challenges of recent years have been significant. The opportunities in the years ahead are much greater.