

Connecting Young Entrepreneurship with G20 Governance: Innovations in Policy and Process

John Kirton
Founder and Co-director, G20 Research Group

Paper prepared for a presentation on a panel on “G20” at a conference on “Young Entrepreneurs: Building Dynamic Businesses that Foster Growth and Job Creation,” G20 Young Entrepreneur Summit Mexico 2012, Mexico City, June 2-5, 2012. The author gratefully acknowledges the research assistance of Zaria Shaw and Julia Kulik. Version of June 4, 2012.

Introduction

In his contribution to the multistakeholder “briefing book” for the Los Cabos Summit, Donald Kaberuka (2012), president of the African Development Bank, wrote that “the potential for young people to become job creators in their own right through policies that support and nurture young entrepreneurs should be recognised and acted upon.” Kaberuka wrote those words not as a polite afterthought or a nice-to-have add-on, but as a key part of one of the three priorities that he asked the G20’s Los Cabos Summit to take up. He spoke on behalf of all of Africa, the poorest continent with the poorest countries and poorest people in the world. His call confirms that asking for greater recognition of young entrepreneurship is not a partial, parochial or self-interested plea. It is central to the ability of the Los Cabos Summit to advance its central priority of development for all, including the poorest of the world. The task of the 2012 Young Entrepreneurs Summit (YES) is thus a simple one — to get the G20 leaders at their Los Cabos Summit to say and do from the inside what Donald Kaberuka from the outside has asked them to do.

The G20 leaders at Los Cabos have some way to go to get to where Kaberuka already is, but it is an advance that is now within their reach. Since the start of G20 summitry in 2008, the G20 leaders have increasingly recognized the importance of entrepreneurship and of youth, and of the ways in which they are linked. But the G20 has not yet made the direct link to affirm the value of “young entrepreneurship” itself and the contribution it can make to much of what the Los Cabos Summit and the larger G20 system seeks to do. This gap arises, at the levels of leaders, ministers and officials, in the domain of policy — what the leaders discuss and commit to do — and in the domain of process — how the YES and Young Entrepreneurs Alliance (YEA) connects with G20 governors to enhance the work of each.

The time has come to close the gap, starting in three key ways.

First, a direct link should be forged between “young” and “entrepreneurship” to make “young entrepreneurship” a G20 summit-approved value.

Second, the status, involvement and influence of the YES should be equalized by making YES more comparable in its connection to the G20 summit to the connection between the G20 and the Business 20 (B20) and Labour L20 (L20).

Third, recognition should be acquired from the G20 summit of the YES as an institution and a mandate should be received from the G20 summit for the YES to take on a specific task. The G20 should put the Young Entrepreneurs Alliance (YEA) to work.

In order to understand how these three objectives can be achieved, it is first necessary to consider the policy gap that remains between youth and entrepreneurship in G20 summitry, despite the firm foundation that has been laid. It is also necessary to examine the process gap between G20 governors as a group and the YES and YEA, and, finally, to look at the specific steps that the YES and YEA can take to play a more equal and influential part in G20 governance as a whole.

The Policy Gap

The core conceptual components of young entrepreneurship have been a growing part of the G20 summit's conclusions since the leaders' first meeting at the height of the great financial crisis in Washington in November 2008 (see Appendix A). However, despite the growth of a very firm foundation, there is a glaring gap, for the direct link between "youth" and "entrepreneurship" has not yet been forged.

Entrepreneurship and innovation were there at the very start in the core mission of the new summit-level institution created by the G20 leaders in 2008. At the very start of their communiqué, the leaders declared that innovation and entrepreneurship were "essential for economic growth, employment, and poverty reduction."

Attention disappeared at the second G20 summit, hosted by British Labour Party prime minister Gordon Brown in London in April 2009.

But at the third summit, hosted again by the United States — this time under Democratic president Barack Obama in Pittsburgh in September 2009 — entrepreneurship and innovation returned to take a bigger, bolder, broader place. Here small and medium-sized enterprises (SMEs), the poor and inclusiveness were added to the entrepreneurship core. "Successful models" of SME financing became key to "Strengthening Support for the Most Vulnerable" and to the new G20 SME Finance Challenge that the summit launched. Leaders affirmed the principle that "we commit to taking responsible actions to ensure that every stakeholder — consumers, workers, investors, entrepreneurs — can participate in a balanced, equitable, and inclusive global economy." And they promised to "promote entrepreneurship and innovation across countries."

Also at Pittsburgh, entrepreneurship and its cognate concept of SMEs entered into the G20 summit's decisional commitments for the first time (see Appendix B). Pittsburgh made three such commitments: two on entrepreneurship itself and one on SMEs.

At the fourth G20 summit, hosted by Canadian Conservative prime minister Stephen Harper in Toronto in June 2012 — where the YES was born — leaders reaffirmed in a more robust way their commitment to financing for SMEs and their SME Finance Challenge. But they added agriculture and farmers, while making innovative financial inclusion a general approach. They noted specifically that “the private sector window of the GAFSP [Global Agriculture and Food Security Program], which will increase private sector investments to support small and medium sized agri-businesses and farmers in poor countries.”

The fifth G20 summit, hosted by Korean president Lee Myung-bak in Seoul in November 2010, added new attention, emphasis and detail, particularly by bringing in green growth, jobs and economic development as a whole. The leaders called for “green growth and innovation oriented policy measures to find new sources of growth and promote sustainable development.” They recognized “the vital role of SMEs in employment and income generation” and social protection. They mobilized major new money — more than half a billion dollars — to this end, with Canada, Korea, the United States and the Inter-American Development Bank in the lead.¹ And they reiterated their “strong commitment to financial inclusion and recognize the benefits of improved access to finance to lift the lives of the poor and to support the contribution of SMEs to economic development.”²

The sixth and most recent G20 summit, hosted by French president Nicolas Sarkozy and held in Cannes, France, in the middle of the Euro-crisis in November 2011, saw a great leap forward. “Youth” made it into the communiqué for the first time, and youth, jobs and innovative financing for development received priority placement. The commitment expressed in the Cannes Final Declaration to “renew our efforts to combat unemployment and promote decent jobs, especially for youth and others who have been most affected by the economic crisis” was followed by the creation of a “G20 Task-Force on Employment, with a focus on youth employment, that will provide input to the G20 Labour and Employment Ministerial Meeting to be held under the Mexican Presidency in 2012.” The leaders asked the International Monetary Fund (IMF), the Organisation for Economic Co-operation and Development (OECD), the International Labour Organization (ILO) and the World Bank to report to their finance ministers on job creation. The search for innovative financing for development extended into health, climate change and remittances, through the options of “Advance Market Commitments, Diaspora Bonds,

¹ Paragraph 57 of the Seoul Summit Document says: “Recognizing the vital role of SMEs in employment and income generation, we welcome the strong response to the G20 SME Finance Challenge and the innovative models for scaling up private SME finance that have emerged from the competition and congratulate the winners. We have constructed a flexible SME Finance Framework to mobilize grant, risk capital and private financing by using existing funding mechanisms and the new SME Finance Innovation Fund to finance the winning proposals and other successful SME financing models. We welcome the commitment of Canada, Korea, the United States and the Inter-American Development Bank of \$528 million to the Framework through grants and co-financing.”

² Included in paragraph 55 of the Seoul Summit Document is the following: “We welcome the stock taking report on successful and scalable models of SME financing in developing economies. We have developed the Financial Inclusion Action Plan based on our Principles for Innovative Financial Inclusion as the work program for the coming year.”

taxation regime for bunker fuels, tobacco taxes, and a range of different financial taxes.”³ In addition, the commitment to work on financial inclusion for SMEs was also made the responsibility of the European Union and of Mexico during its year as G20 host.

Ten conclusions from this analysis stand out.

First, all of the component concepts have been approved. The twins of youth and entrepreneurship and the additions of innovation, employment and SMEs are now all a cumulatively approved part of the G20 agenda and consensus on what is right for the G20 to do.

Second, this component cluster now directly touches all in the global community. It has extended across the rich and emerging members of the G20 to include the world’s poor as a whole. It is thus a unifying G20-wide and fully global cause in this way.

Third, its relevance embraces many issues areas of the G20 agenda: economic crisis, growth and jobs; financial regulation for inclusion; development; and green growth, climate change and health.

Fourth, it extends to all dimensions of G20 governance from its two-word start at Washington. In the summit’s deliberations, the component cluster has grown steadily to embrace direction-setting principles, decisional commitments including new money mobilized, and the development of global governance institutions both inside the G20 and without.

Fifth, the cluster had acquired influential host leaders committed to the cause — Obama, Harper and Lee, who will all be at Los Cabos available to serve as advocates.

Sixth, there are explicit built-in mandates that will give those leaders and their colleagues a basis and indeed a responsibility from which to work during Mexico’s year.

Seventh, the built-in foundation covers almost all the Mexican host’s priority themes: economic growth, financial regulation and inclusion, commodity prices, and green growth.

Eighth, crisis helps, not hurts. Global crisis does not crowd out young entrepreneurship but brings it in. The lesson of the Greek-centred, Euro-crisis–scarred summits in Toronto and Cannes is that young entrepreneurship is not a distraction from but a potential solution to the financial, economic, employment and social cohesion crises and challenges the world now confronts.

³ The Cannes Action Plan also says: “Developing countries have the potential to contribute to stronger and more balanced global growth and should be viewed as markets for investment, especially in infrastructure. We welcome the MDBs [Multilateral Development Banks] Infrastructure Action Plan and the HLP [High-Level Panel] recommendations. It is important to ensure adequate flows of official financing for development as well as to promote innovative approaches that leverage private capital.”

Ninth, the missing link between youth and entrepreneurship remains to be forged. Once “youth” arrived in the leaders’ communiqués, “entrepreneurship” left. More broadly, no links among entrepreneurship, youth, youth employment, innovative financing for SMEs and others have been forged.

Tenth, YES must forge those missing links. “Entrepreneurship” disappeared at Toronto, when YES was born to take up the cause. Now is the time for YES to put entrepreneurship back into the core of the G20 leaders’ communiqué and to tie it directly to youth for the first time.

The Process Gap: The Development of G20 Governance

The process of the G20 as an international institution has also grown a great deal in ways that facilitate the emergence of young entrepreneurship as a legitimate and even central part. However there remains a great gap between the dedicated institutional champions of young entrepreneurship, the YES and the core G20 summit itself.

The first gap is between young entrepreneurship as a concept and institution on the one hand and, on the other, the forum of the G20 finance ministers and central bank governors, which is the historic heart of the G20 system since its start in 1999 (Kirton 2012). In the declaration issued by the most recent G20 finance meeting, held in Washington on April 20, 2012, there was not a single reference to any one of the component concepts. Nor was there any in the parallel communiqué issued in conjunction with the IMF’s International Monetary and Financial Committee on the same day, or in the earlier G20-only meeting in Mexico City on February 26, 2012. Indeed, with the exception of the G20 finance communiqués in Australia in 2006, which mentioned entrepreneurship, and in Germany in 2004, which mentioned entrepreneurship and SMEs, there are no references to youth/young or entrepreneurship in G20 communiqués since the finance ministers and central bank governors started meeting in 1999.

This suggests that the attention and action of the YES should be aimed at the summit rather than ministerial level. This is not only because the leaders’ level is more authoritative and comprehensive, but also because that is where by far the firmest foundation has been laid.

Here the first step, in the realm of process, is to seek and secure a status equal to that which the B20 and L20 have now attained. The YES is a critical component and connector of both business and labour, and is thus equally worth the leaders’ summit time.

At the ministerial level, one similar opportunity does stand out.⁴ A productive G20 ministerial forum for young employment has been the new G20 labour and employment ministers body, which sprung to life in Paris on September 27, 2011. In its communiqué both youth and entrepreneurship had a prominent presence. It contained five references to “youth” or “young,” usually in regard to employment, and made additional references to the broader concept of “vulnerable groups.” It devoted one section of eleven paragraphs to “[improving] active employment policies, particularly for young people and other vulnerable groups.” Within this section it made two direct references to entrepreneurship, stating “we also stress the importance of developing entrepreneurship, including women’s entrepreneurship.” It thus reinstated entrepreneurship in G20 governance in 2011, extended it to women’s entrepreneurship and forged the first contextual link between young and entrepreneurship.

Still there were two notable gaps. In policy, a major emphasis in combating youth unemployment was placed on the instruments of “training,” which appears antithetical to entrepreneurship in several ways. In process, the communiqué asked the B20 and L20, but not the YES or YEA, to help in “preparing our young people to find decent jobs.”

At the official level, the Development Working Group created at the Toronto Summit would seem to be appropriate for recognizing the power of young entrepreneurship. However, in the most recent report of the Development Working Group, delivered to G20 leaders at the Cannes Summit, it made only one reference to youth and none at all to entrepreneurship.

Connecting Young Entrepreneurship with G20 Governance

The time has come to connect young entrepreneurship more closely with G20 governors. A strategy for doing so could start with three key ways.

First, the direct link in policy should be forged between “young” and “entrepreneurship” to make young entrepreneurship a G20 summit–approved issue in the Los Cabos communiqué.

Second, the status, involvement and influence of the YES should be equalized by making it more comparable in its connection to the G20 summit to the connection of the G20 to the B20 and L20.

Third, recognition should be acquired from the G20 summit of the YES as an institution and a mandate should be received from the G20 summit for the YES to take on a specific task. The G20 summit should put the YEA to work.

⁴ The Action Plan on Food Price Volatility and Agriculture, released by the G20 Meeting of Agriculture Ministers in Paris on June 22-23, 2011, contained one relevant reference: “We commit ourselves to implementing a broad scope of actions to boost agricultural growth. In this whole range of actions, we will give special attention to smallholders, especially women and young farmers, in particular in developing countries.”

To advance these central objectives, several additional steps could be helpful.

The first is to make a contribution, to both the YES and the G20, by conducting an extended, compliance-inclusive assessment of the influence of the YES in the G20 process thus far and in the years ahead. Similar to the method used by the B20 in the impact and accountability assessment it has recently launched, such an assessment would start with YES recommendations, see how well they were reflected in G20 summit commitments and then examine whether these commitments were complied with by member governments and international organizations in the months and years after those commitments were made. This exercise could highlight which kinds of YES recommendations in which policy areas have had the most effect, not just on the communiqué produced at the summit but also in the real world beyond. The analysis could be led by the outgoing member of the governing troika in the YES, working with the equivalent in the G20 itself.

The second is to target YES recommendations and interactions at the G20 issues and G20 bodies where they are most likely to be taken up. They should be aimed at those issues and bodies that have already recognized the importance of youth, entrepreneurship, and the connectors of SMEs and innovation in the most robust way. To be sure, the power of young entrepreneurship is relevant to and even recognized by much of what the G20 does, and many of the priorities its Mexican host set this year. But there is a case for starting with how entrepreneurship can generate jobs for youth, at the moment when both jobs for youth and money for governments to create them are especially scarce in most of the rich as well as poor countries in the world. It was precisely here that Africa's Donald Kaberuka started, in a call that has exceptional resonance in today's Spain and Greece and well beyond.

The third step is to identify and inspire likely allies already inside the G20. Here a case can be made as leading candidates for Obama's America, Harper's Canada, Lee's Korea, Jacob Zuma's South Africa, so close to Kaberuka's African Development Bank, to the G20's permanent guest of Spain and to the ILO as a important participant too.

The fourth step is to enrich the YES and the YEA as a informal institution at the hub of a growing network that extends around the world. Doing so would match the fundamental institutional character of the G20 itself — as an institution, deliberately not an organization with a secretariat, that serves and works as the hub of a network that radiates influence all throughout the world (Kirton 2012). Turning the YES/YEA into a more formal international organization is not necessary and would probably come at a considerable cost. Among its many downsides, a permanent secretariat would take on the national identity of the location of its executive head, rather than match that of the changing annual presidency of the G20 itself, where the most influential relationship is likely to arise. An informal institution can more easily mobilize the contribution of similar bodies, such as the G20 Research Group on the compliance-inclusive impact assessment.

References

- Kaberuka, Donald (2012). "Developing Africa," in John Kirton and Madeline Koch, eds., *The G20 Mexico Summit 2012: Cracking the Code at Los Cabos*, pp. 148-49 (Newsdesk: London).
- Kirton, John (2012). *G20 Governance for a Globalized World* (Farnham: Ashgate).
Forthcoming.
- Prokop, Vivian, Francisco Ruiz and Victor Sedov (2012). "Young Entrepreneurs Are Crucial to Economic Recovery and Prosperity," in John Kirton and Madeline Koch, eds., *The G20 Mexico Summit 2012: Cracking the Code at Los Cabos*, pp. 196-97 (Newsdesk: London).

Appendix A: G20 Leaders' Conclusions on Young Entrepreneurship

	# of Words	% of Total Words	# of Paragraphs	% of Total Paragraphs	# of Documents	% of Total Documents	# of Dedicated Documents
2008 Washington	157	4.2	2	2.8	1	100	0
2009 London	0	0	0	0	0	0	0
2009 Pittsburgh	265	4.2	4	4.3	1	100	0
2010 Toronto	260	2.3	4	2.8	1	50	0
2010 Seoul	384	2.4	7	3.2	2	40	0
2011 Cannes	1119	7.9	10	5.1	2	66.6	0
Average	364.2	3.5	4.5	3.0	1.2	59.4	0

Notes:

Data are drawn from all official English-language documents released by the G20 leaders as a group. Charts are excluded.

"# of Words" is the number of references related to young entrepreneurship for the year specified, excluding document titles and notes. Words are calculated by paragraph because the paragraph is the unit of analysis.

"% of Total Words" refers to the total number of words in all documents for the year specified.

"# of Paragraphs" is the number of paragraphs containing references to young entrepreneurship for the year specified. Each point is recorded as a separate paragraph.

"% of Total Paragraphs" refers to the total number of paragraphs in all documents for the year specified.

"# of Documents" is the number of documents that refer to young entrepreneurship and excludes dedicated documents.

"% of Total Documents" refers to the total number of documents for the year specified.

"# of Dedicated Documents" is the number of documents for the year that refer to issues related to young entrepreneurship in the title.

The following keywords were used to compile table: capitalize, entrepreneur, entrepreneurial culture, entrepreneurial ecosystem, G20 Young Entrepreneurship Alliance (YEA), G20 Young Entrepreneur Summit (YES), innovation, Jumpstart Our Business Startups Act (JOBS), new firms, young firms, small and medium size enterprises (SMEs), start-ups, venture capital, youth business, youth unemployment

Coding Rules:

The unit of analysis is the paragraph or stand-alone sentence.

A direct reference to young entrepreneurship or a cognate term is required.

Cognate or extended terms can be used without a direct reference to "young entrepreneurship" if they have previously been directly associated together in summit document history.

Appendix B: G20 Summit Commitments Related to Young Entrepreneurship

2008: Washington DC, November 14-15

Total=0

2009: London, April 1-2

Total=0

2009: Pittsburgh, September 24-25

Total=3

92. We commit to launch a ***G20 SME Finance Challenge***, a call to the private sector to put forward its best proposals for how public finance can maximize the deployment of private finance on a sustainable and scalable basis.

108. We commit to taking responsible actions to ensure that every stakeholder — consumers, workers, investors, **entrepreneurs** — can participate in a balanced, equitable, and inclusive global economy.

110. We have a responsibility to reject protectionism in all its forms, support open markets, foster fair and transparent competition, and promote **entrepreneurship and innovation** across countries.

2010: Toronto, September 26-27

Total=2

41. We have launched the **SME Finance Challenge** and commit to mobilizing funding for implementation of winning proposals, including through the strong support of the MDBs.

42. Looking ahead, we commit to exploring **innovative**, results-based mechanisms to harness the private sector for agricultural **innovation**.

2010: Seoul, November 11-12

Total=5

2010-20: [The (Seoul Action) Plan includes our commitment to:] a flexible **SME Finance Framework**

2010-61: [We will implement a range of structural reforms to boost and sustain global demand, foster job creation, contribute to global rebalancing, and increase our growth potential, and where needed undertake:] Green growth and **innovation** oriented policy measures to find new sources of growth and promote sustainable development. (climate change)

2010-119: [we will] Increase access to finance for the poor and **small and medium enterprises (SMEs)**.

2010-126: We reiterate our strong commitment to financial inclusion and recognize the benefits of improved access to finance to lift the lives of the poor and to support the contribution **of SMEs** to economic development.

2010-144: [We also commit to stimulate investment in] developing long-term energy policies, supporting education, **enterprise** and R&D, (energy)

2011: Cannes, November 3-4

Total=4

2011-150: The EU is fully committed to accelerate and further deepen the Single Market integration through a comprehensive programme based on twelve key priority actions to boost growth. These include actions in the areas of services, trans-European networks, the digital single market, workers' mobility, financing for **small and medium-sized enterprises** and taxation.

2011-151: In the framework of the 'Europe 2020' strategy, the EU adopted several targets for 2020: **to raise to 75% the employment rate** for those aged 20-64, to improve the education levels, and to raise the share of public and private investment levels in R&D to 3% of EU's GDP.

2011-173: We are committed to renew our efforts to combat unemployment and **promote decent jobs, especially for youth** and others who have been most affected by the economic crisis.