



M. NICOLAS J. FIRZLI IS DIRECTOR-GENERAL AND HEAD OF RESEARCH OF THE WORLD PENSIONS COUNCIL (WPC), the international association of retirement, social security and pension reserve funds, Co-Chair of the World Pensions Forum (WPIF) held annually in a G10 capital, and Advisory Board Member for the World Bank Group (WBG) Global Infrastructure Facility (GIF).

Mr. Firzli is a graduate of Canada's McGill University (Statistics & Financial Economics), an alumnus of the HEC School of Management (MBA) and the University of Paris Law School (LL.M., *summa cum laude*) and has conducted research at the University of Louvain (UCL) Doctoral School of Economics.

G20 Nations Shifting the Trillions: Impact Investing, Green Infrastructure and Inclusive Growth

The 2017 Spring Meetings coincided with the surprise calling of snap general elections in the UK and military tensions in the Yellow Sea. Our postwar social contract has to cope with unprecedented shocks: Britain's thorny withdrawal from the EU, worsening Migrant Crisis, rise in populist demagoguery... But there are also positive signs: the UN's Sustainable Development Goals (SDGs) and new, more demanding governance norms are making unprecedented advances across the boardrooms of America, Britain, France and China, changing the world economy for the better.

in 'What the Thunder Said', the fifth stanza of *The Waste Land*, T.S. Eliot echoed the melancholy words of Arnaut Daniel: "Of thunder of spring over distant mountains. He who was living is now dead... Cracks and reforms and bursts in the violet air. Falling towers. Jerusalem, Athens, Alexandria." The Anglo-American poet was alluding to the cracks Europe and America were facing right after the First World War: with dying trees, pollution-choked rivers and the twin rise of economic greed and political totalitarianism as symptoms of a deeper civilizational malaise. One hundred years later, the organizers of the **People's March for Climate, Jobs, and Justice** held in Washington DC on April 29 2017 seemed to show similar concerns about the future. The march was meant to coincide with President Trump's first 100 days in office and high-level policy forums convening in the U.S. capital in that busy time of year.

THE G20 HAMBURG SUMMIT AND 'INCLUSIVE GLOBALIZATION'

The IMF and World Bank **Spring Meetings** (April 21-23, 2017) saw the greater integration of the European Investment Bank (EIB) into the Global Infrastructure Facility (GIF), a multi-stakeholder investment platform led by the World Bank. **Joaquim V. Levy**, CFO & MD, **World Bank Group**, welcomed the strengthened engagement of the **European Union's** development bank alongside other multilateral institutions interested in fostering the deployment of sustainability-oriented capital into the developing economies of South Asia, Latin America, Sub-Saharan Africa and the MENA area.

Wolfgang Schäuble, Germany's veteran Finance Minister and chief architect of the **2017 G20 Hamburg Summit** (to be held in July) delivered an impassioned address in favor of the rule of law, legal stability

and *continued* inter-national cooperation. Eschewing abrupt changes and unilateral decisions, his appeal seemed rooted in the stern realm of Lutheran legal philosophy¹. His words sounded like a political testament, recognizing *in part* some of the shortcomings of neoliberalism (limited in his opinion). The corrective measures he suggested appeared meant essentially to increase North-South infrastructure and private equity investment in order to stabilize the fledging economies of Africa and the MENA area, and thus alleviate the festering **European Migrant Crisis**.

"Globalization has lifted hundreds of millions out of poverty, but there is also a growing rise in frustration in some quarters: if left unchecked, it will give rise to more populist demagoguery" said Europe's wise man, insisting that "development, [national] security and migration are all interlinked" and multilateral insti- ▶

► tutions such as the World Bank and the EIB could help steer stronger private sector contributions towards Africa's economic development.

IMPACT INVESTING AND THE BOARDROOM OF THE FUTURE

A group of impact investing thought leaders led by **Lauren Burnhill**, Investment Committee Member, **Calvert Social Investment Foundation**, President, **Resilience Resources**, Britain's **David Weeks**, Co-Chair, **Association of Member Nominated Trustees (AMNT)** and France's **Nicolas J. Firzli**, Director-General, **World Pensions Council**, Advisory Board Member, **Global Infrastructure Facility (GIF)**, met on the sidelines of the **Paul H. Nitze School of Advanced International Studies Global Women in Leadership conference** (Johns Hopkins, April 21 2017). They took stock of the renewed public policy interest for environmental sustainability, gender equity and social inclusiveness, in the spirit of the UN's Sustainable Development Goals (SDGs) and the AMNT's **Red Line Voting Initiative**: "these are certainly positive steps in the right direction: call it purposeful, progressive multilateralism... But governments and international institutions need to do more if they truly seek to 'unlock' private sector capital in a meaningful way. They have to ask themselves the following questions: what are the concrete legal, regulatory, financial and fiduciary concerns facing pension fund board members? How can we improve emerging industry standards for impact measurement and help pension

trustees steer more long-term capital towards valuable economic endeavors at home and abroad, while, simultaneously, ensuring fair risk-adjusted returns for future pensioners?"

The word economics itself comes from Koine Greek *nemein*, which means 'managing' or 'allocating' [assets]. "Ultimately, all economic decisions will have to be informed by the **Strong Trusteeship praxis** of engaged asset ownership... It is our duty to accelerate SDG mainstreaming across all asset classes: listed equity ('visible' blue chips), venture capital ('invisible' SMEs and startups), green government bonds issued by public institutions at federal, state and municipal level, and tangible assets such as infrastructure... Change will only be achieved through the active engagement of pension board members, who have it in their power to oversee the chain of asset ownership for the greater good" said Weeks and Firzli.

The past five months seem to mark a turning point when it comes to trustee assertiveness: some of the largest Scandinavian pension funds have divested from **Ryanair** over employment rights, chastising the CEO of Europe's largest airline. On April 25 2017, the board of directors of **Wells Fargo**, "the best bank in the United States" (Global Finance) and "7th biggest public company in the world" (Fortune), had to fight an unprecedented shareholder insurgency led by the \$315 bn. **California Public Employees'**

China's President Xi Jinping emphasized this constructive approach at the Belt and Road Forum held in Beijing (May 14–15, 2017), an international summit that saw the vision of a 'New Silk Road' come to fruition with the backing of the governments of Britain, Hungary, Italy, Poland, Russia, Spain and Switzerland, a distinct group of Western nations which some may call 'L'Autre Europe'. The Chinese leader also confirmed his firm attachment to the UN SDGs, sending a strong signal the world over in favor of sustainable investments.

Retirement System (CalPERS), the \$200 bn. **California State Teachers' Retirement System (CalSTRS)** and the \$170 bn. **New York City Employees Retirement Systems (NYCERS)**: **Wells Fargo** Chairman **Stephen Sanger** narrowly kept his seat (55%) through the cynical maneuverings of **Warren Buffett** (in 2016, no **Wells Fargo** board member drew less than 95%).

MEGACITIES, SUSTAINABLE INFRASTRUCTURE AND THE NEW VIA MEDIA

Privately-owned transportation, wastewater and energy assets have been accused (often very unjustly) of 'scarring the environment' (**Keystone Pipeline** linking Central

Canada to Texas), 'poisoning innocent children' (Flint water crisis) or 'accelerating global warming'... As if to exonerate governments, the auto industry, agribusiness, residential buildings and other industries from all blame in the matter.

But, taking the contrarian view, we will argue that, of all asset classes, infrastructure is the most directly amenable to sustainability: at the start of the decade, the **World Pensions Council** actually pioneered the notion of infrastructure-driven 'green growth' alongside a handful of progressive think-tanks². The 1st **World Pensions Forum** held in Paris in December 2010 spearheaded numerous ESG policy initiatives on both sides of the Atlantic³. We have

also fostered the notion of green megacities in Eastern Europe, the Maghreb and South Asia, insisting early on that development economists, town-planners, civil engineers and architects need to work holistically, within an integrated framework that incorporates *right from the start* fiscal, environmental, logistical, cultural and health-care metrics.⁴ On May 23, 2017, the board of Saudi Arabia's Public Investment Fund (PIF), by far the world's largest sovereign wealth institution, announced their intention to invest \$20 billion in state-of-the-art infrastructure assets across the United States, a significant long-term investment decision aligning with HRH Prince Mohammad Bin Salman Al-Saud's expressed inclination towards modern Keynesian economics and progressive, infras-

tructure-driven urban development (known as '*Ru'yatt-al-Saudiya*' or Saudi Vision 2030).

China's President Xi Jinping emphasized this constructive approach at the *Belt and Road Forum* held in Beijing (May 14–15, 2017), an international summit that saw the vision of a 'New Silk Road' come to fruition⁵ with the backing of the governments of Britain, Hungary, Italy, Poland, Russia, Spain and Switzerland, a distinct group of Western nations which some may call 'L'Autre Europe'. The Chinese leader also confirmed his firm attachment to the UN SDGs, sending a strong signal the world over in favor of sustainable investments. Today, when global warming sceptics are trying to undo the hard work accomplished in the past seven years, a progres-

sive, inclusive approach needs to be stressed more than ever: only by working together, by further developing East–West cooperation, by strengthening pension boards and the rule of law, and by experimenting with innovative public-private partnership frameworks, can we build a just and lasting international order: engaged fiduciary capitalism will help us "retain our heritage of political, intellectual, and cultural freedom, while, at the same time, open up the way to higher standards of social welfare and economic security."⁶ ■

(1) Witte, John, and Harold Berman. "The Transformation of Western Legal Philosophy in Lutheran Germany." (1989).

(2) Cf. e.g. *The Role of Pension Funds in Financing Green Growth Initiatives*. OECD Working Papers, (10), p.4, Sean Kidney, "Climate Bonds Partners Program Launched at World Pensions Forum in Paris," Climate Bonds Initiative, Oct 23, 2014.

(3) Dr. Fausto Felli also played an essential role in that regard: cf. 2014 Italian Presidency of the EU Council (P. Garonna and E. Reviglio Eds.) https://www.luissuniversitypress.it/sites/luissuniversitypress.it/files/free_download/2016/04/FeBaf%20Investing.pdf

(4) Third annual World Pensions Forum (Nov. 7-8 2013) organized jointly with the Hong Kong Special Administrative Region (SAR) of the People's Republic of China.

(5) For further geopolitical considerations, see M. Nicolas J. Firzli, "Chinese Revolution Could Lure Overseas Investment," Dow Jones Financial News, October 12, 2015.

(6) Macmillan, Harold. *The Middle Way: A Study of the Problem of Economic and Social Progress in a Free and Democratic Society*, London (1938).

AU-DELÀ DE L'INFORMATION, DÉCOUVREZ UNE AUTRE VISION DE L'ANALYSE FINANCIÈRE.

La SFAF (Société Française des Analystes Financiers) est le regroupement d'environ 1 600 membres, tous professionnels de l'investissement et du financement, autour d'un important réseau et d'une vision nouvelle des grands enjeux économiques et financiers.

Ses missions ?

- Contribuer à l'évolution des professions financières,
- Enrichir les réflexions de place au travers des échanges avec les autorités de tutelle,
- Faire avancer les débats et les idées grâce aux travaux conduits par ses commissions,
- Accompagner les sociétés cotées dans leurs actions de communication financière,
- Proposer une formation diplômante et continue, reconnue internationalement.



la SOCIÉTÉ FRANÇAISE des ANALYSTES FINANCIERS



sfaf.com