# Working Session II: Future-proofing the Economy - The Impact of AI

*This session will take the form of a presentation by the IMF Managing Director Kristalina Georgieva, with thematic discussions to take place in breakout groups and a wider exchange of views to follow.*

## Introduction

Artificial intelligence is poised to be a transformative technology of the 21st century. The potential implications of AI are far-reaching, spanning labour markets, energy policy, and geopolitical dynamics.

These impacts are not isolated in silos from one another. The impact of AI on our social fabric, its effect on our economic structure, and its political ramifications are all closely intertwined.

Informal ECOFINs are a chance to tackle topics which go beyond direct legislative action. They are also an opportunity for Ministers to consider cross-cutting issues like AI, which must be considered in the round to be fully understood.

To facilitate a broad discussion on AI, the IMF has provided a paper which considers AI's different transmission channels to economic growth, as well as its wider impact on society. These are:

- **The labour market:** This topic covers how AI is changing the demand for labour, exploring which workers are exposed to AI, how AI-related job displacement may impact the labour market, and the policy adjustments that may be needed to respond to this.
- **The public sector:** This broad topic explores how AI may affect the public sector, focusing on how public administrations may use AI to deliver more effective government services. For Finance Ministers specifically, AI raises questions around the evolution of the capital-labour balance in our economies and the potential implications for taxation policy.

- **Energy**: This topic addresses how the uptake of AI will necessitate additional data storage, and in turn, how this will increase demand for electricity in a context of strained energy supply.
- **Geopolitics:** This topic considers how AI's anticipated role as a driver of productivity growth and the supply chain for AI will interact with ongoing geopolitical disruption. This extends to the economic security of AI, including considerations around technological sovereignty and financial stability risks.

Discussions will be held in six breakout groups across these four topics, with two groups discussing the labour market and public sector topics.

The IMF paper is envisaged as a starting point for these group discussions, providing ideas and information to ignite further conversation. Questions for discussion across the different groups are also included below, with one overarching question which all breakouts groups may also consider.

One of the participants will be assigned as a rapporteur for each breakout group, responsible for reporting back on the discussion to the wider assembly. An exchange of views will then take place among all participants on the impact of AI. Information on the allocation of participants to breakout groups and the assignment of rapporteurs will be circulated the week before the Informal ECOFIN takes place.

## Questions for discussion

**For all breakout groups:**

1. How do you see the role of Finance Minister evolving in response to the transformative technology of AI?

**Group 1 - The labour market:**

1. How is AI adoption currently manifesting itself in your country? How do you expect it to affect your labour market over the coming decades?
2. How well prepared are labour market institutions and policies to handle changes in labour demand? Do you expect changes to be needed?

**Group 2 - The labour market:**

1. How far along is your economy in terms of AI adoption? What are the barriers to AI adoption by businesses? What can we learn from the economies that are furthest ahead?
2. What jobs do you think are likely to be most affected by AI? How do you expect workers in those roles to adapt, and will they need additional support from the Government?

**Group 3 - The public sector:**

1. To what extent and in what ways might we need to further digitalise our national administrations, before we can fully take advantage of AI?
2. How do you see AI impacting on tax receipts in your country? Do you expect that the uptake of AI will require an update of tax policy?

**Group 4 - The public sector:**

1. How can AI be used to enhance the delivery of public services?
2. How do we maintain public trust in an era of AI?

**Group 5 - Energy:**

1. How do you expect AI use and data centre growth to impact your economy, including in terms of increased energy consumption? How does this differ across countries in Europe, and between Europe and the rest of the world?
2. How should policymakers balance AI infrastructure development with affordability, energy security, and fairness? Is the current permitting framework in your jurisdiction fit for purpose for delivering AI infrastructure while managing wider energy and resource pressures?

**Group 6 - Geopolitics:**

1. How do you expect the rise of AI to affect the current geopolitical situation? How might AI affect the resilience of our economies?
2. How should Europe seek to compete in the AI market? Will adoption of AI be sufficient to promote the competitiveness of European businesses or should Europe seek to compete directly in the provision of AI services?