

Responding to the three I's
Inclusiveness, Implementation, Investment

B20 Policy Proposals for the G20

September 2015



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Key messages from the B20 to the G20

In November 2014, the G20 agreed that raising global growth to deliver better living standards and quality jobs was the highest priority.

Over the past 12 months, the G20 has focused on promoting sustainable development and implementing actions agreed in Brisbane designed to increase G20 GDP by at least 2 percent by 2018 – particularly the individual country growth strategies contained in the [Brisbane Action Plan](#). Despite these efforts, the recovery of economic growth globally remains weak; unemployment, particularly among youth, and labor-force participation by women have not materially improved, nor have small and medium-sized enterprises (SMEs) found firmer foundations. Globally, trade and investment are still at pre-crisis levels, while increasing technological disruption and falling productivity are also impacting private-sector activity, growth, and employment.

This year, the G20's focus is on ensuring inclusive and robust growth through collective action in accordance with the “three I's” – Implementation, Inclusiveness, and Investment for growth.

In response, the B20 has organized itself around six taskforces: five of them – Trade, Infrastructure and Investment, Financing Growth, Employment, and Anti-Corruption – built on the work of the previous cycles' taskforces, and given the G20's priority of implementation, focused on advocacy and refinement of the existing set of B20 recommendations. Given the G20's inclusiveness priority, a new taskforce on SMEs and Entrepreneurship developed recommendations to better integrate SMEs into the global economy. These taskforces had three meetings in person, two of which were joint taskforce meetings. In addition, the B20 held ten regional consultation meetings. The B20 taskforces identified a number of critical barriers to growth and employment across the “three I's” where G20 intervention is required to promote and strengthen economic activity and create jobs, and developed actionable and policy-relevant recommendations.

This document is a summary of the recommendations by the taskforces,¹ and proposes actions to be taken by the G20 to:

- **implement agreed policies**, particularly ratification and implementation of the Trade Facilitation Agreement, completion of the global financial reform agenda, and implementation of the G20 High-Level Principles on Beneficial Ownership Transparency
- **invest in correcting imbalances** by developing a common set of international investment principles, facilitating more efficient and effective investment in infrastructure assets to address the growing infrastructure gap, and addressing mismatches between the demand and supply of skills in labor markets
- **foster inclusiveness** by adopting more flexible labor-market practices to remove barriers to youth employment and female labor-force participation, as well as improving access to finance, providing support to comply with international standards, and facilitating participation in the digital economy and innovation ecosystems for SMEs
- **enhance competition** through supporting the emerging digital economy, initiating G20-wide entrepreneur visa programs, continuing commitment to the standstill and rollback of protectionism, and digitalizing customs and public procurement systems

Institutional support and leadership of policy responses is critical to timely and efficient implementation. In responding to these recommendations, G20 members should benefit from and utilize the **World SME Forum** and the **Global Infrastructure Hub**, as well as a proposed **Global Skills Accelerator**, alongside existing organizations, to develop policy and business solutions and facilitate implementation of the associated B20 recommendations.

¹ Each B20 taskforce produced a longer policy document that explains its recommendations comprehensively. Please see: <http://b20turkey.org/policy-papers/>

Fully realizing the potential of digital technologies will be an important component of implementation across all recommendations given their impact on productivity, costs, reach, and transparency. This paper outlines the measures in different policy areas to be implemented by the G20 to increase the adoption of digital technologies both by business and governments.

While supporting implementation of the B20 recommendations, the G20 should acknowledge the importance of improved transparency, principled business practices, and good governance. These are the keys to building trust and achieving inclusive and sustainable development, synergistic with the environmental, social, and governance goals of the post-2015 development agenda.

The B20 recommendations will not have their expected impact on growth and job creation without a sound global macroeconomic environment. In this regard, the B20 reiterates the key role of the G20 in boosting confidence and reducing vulnerabilities through effective cooperation on implementation of macroeconomic policies. The G20's macroeconomic policy coordination will become more effective with regular and sustained consultations with the B20 during the mutual assessment process, at global standard-setting bodies such as the Financial Stability Board, and in the relevant G20 working groups.

The business community believes that, by implementing the B20 recommendations, the G20 will boost confidence in line with its objectives to strengthen the global recovery and lift potential, enhance resilience, and buttress sustainability. At the same time, the private sector, including SMEs, will be encouraged to invest and trade more, thereby creating more jobs. The global business community commits to working with the G20 in implementation of these recommendations and enhancing the public-private dialogue.

Rifat Hisarcıklıođlu

B20 Turkey Chair, Ankara 2015

Summary of B20 recommendations to the G20

The B20 puts forward the following set of policy recommendations to support the G20 leaders in their ongoing mission to implement structural reforms and to ensure strong, sustainable, and balanced growth. The B20 encourages the G20 leaders to cooperate effectively for sound macroeconomic policies and implement their respective growth and investment strategies. In particular, the B20 believes that by addressing the following recommendations, the G20 will remove obstacles to increased private-sector activity. The B20 asks the G20 leaders to address these recommendations and to advance them through corresponding policy mandates in their Antalya Summit communiqué.

To **complete implementation of agreed policies**, G20 members should:

1. Ratify and implement the Trade Facilitation Agreement.
2. Finalize and improve the implementation of the global financial reform agenda.
3. Reiterate the need for regulatory consistency and improve the consultation process in the financial reform agenda.
4. Implement the G20 High-Level Principles on Beneficial Ownership Transparency.

To **invest in correcting imbalances**, G20 members should:

5. Develop a common set of international investment principles and promote greater transparency and harmony in taxation related to FDI.
6. Develop country-specific infrastructure investment strategies linked to G20 growth aspirations.
7. Improve the infrastructure investment ecosystem to facilitate the development of infrastructure as an asset class.
8. Develop and finance programs aimed at reducing skills mismatches, in particular technical, managerial, and entrepreneurial skills.

To **foster inclusiveness**, G20 members should:

9. Implement comprehensive structural reforms, making labor markets more dynamic and inclusive, to advance employment opportunities.
10. Increase youth employment and female labor-force participation.
11. Make data on SME creditworthiness more transparent and available so that various finance tools that reduce risk associated with SME lending can be used effectively.
12. Broaden and deepen SMEs' access to alternative financing by supporting and harmonizing policies, regulations, and standards.
13. Provide support to SMEs to comply with international standards and improve their access to international markets through capacity-building and technical assistance programs.
14. Incorporate a five-year universal broadband connection target into G20 Member Growth Strategies, improve SMEs' access to the digital economy, and innovation ecosystems by increasing stakeholder collaboration.

To **enhance competition**, G20 members should:

15. Improve the global trade system for the emerging digital economy.
16. Initiate G20-wide entrepreneur visa programs.
17. Reaffirm their commitment to a standstill on protectionism and roll back existing protectionist measures, especially non-tariff barriers, including localization barriers to trade.
18. Develop and adopt a comprehensive digital environment for customs procedures and cross-border automated clearance systems in all G20 countries within five years through public-private collaboration.
19. Digitalize public procurement systems, develop high-level reporting mechanisms, and incentivize business compliance programs for public procurement processes.

Institutional support

Institutional support and leadership of policy responses is critical to timely and efficient implementation. G20 members, in responding to B20 recommendations, should continue to utilize existing intergovernmental institutions that have accumulated significant expertise in the areas identified for action to ensure effective follow-through of the recommendations proposed. For several of the recommendations highlighted in this paper, the business community supports deepening the responsibilities of two new institutions that the G20 itself has initiated and supported: the World SME Forum (WSF) and the Global Infrastructure Hub (GIH).

World SME Forum

SMEs are vital to the world economy, and their role is increasingly viewed as that of a powerhouse of economic growth, investment, employment, and innovation. Notwithstanding these wide-ranging benefits to the economy, SMEs persistently lack human and financial resources and face a variety of constraints that restrict their potential contribution to global economic activity.

G20 interventions to stabilize the economy and stimulate economic growth, trade, and employment must therefore address the critical role of SMEs and put in place policies to better service them so that they can more effectively contribute to growth and job creation. For these reasons, the B20 has put forward recommendations to the G20 to support SMEs since its second summit in 2010. This year, in light of G20 Turkey's SME emphasis, the B20 has amplified attention to SMEs and championed the creation of the WSF. The WSF was established by the Union Chambers of Commerce and Industry of Turkey (TOBB) and the International Chamber of Commerce (ICC) to promote the SME agenda globally. Notably, G20 finance ministers officially recognized the establishment of the WSF during the World Bank-International Monetary Fund spring meetings in Washington D.C. This development is most timely, as interventions to uplift SMEs need urgent and coordinated attention, given their prominent role in economic growth and job creation.

The WSF is specifically structured to assist in carrying out many of the B20's SME-related recommendations. To facilitate implementation of these recommendations, the B20 advocates that the G20 formally endorse the WSF, and mandate it to 1) monitor the implementation status of SME-related recommendations accepted by the G20 going forward to ensure continuity; 2) coordinate with international financial institutions and multilateral development banks (MDBs) to deliver on SME programs and financing - for example, identifying access to finance issues, disseminating good practices, and developing policies; and 3) bring forward practical solutions to help integrate SMEs more seamlessly into global value chains (GVCs).

Global Infrastructure Hub

G20 members committed in Brisbane to the establishment of the GIH with a global mandate to disseminate leading practices to facilitate the development and delivery of pipelines of bankable, investment-ready infrastructure projects. The B20 re-iterates the need for this mandate. The problems identified in 2015 remain as significant impediments to addressing the growing gap between infrastructure needs and the quantity and quality of infrastructure projects currently being developed.

Infrastructure projects globally can benefit from more coherent international standards, protocols, and guidelines, while countries can benefit from accessing just-in-time and leading-practice knowledge in every aspect of infrastructure projects from conceptualization, feasibility assessment, and preparation to financing, development, and completion. However, no institution exists today that has been given the mandate to institutionalize common standards where applicable.

The G20 should extend the mandate of the GIH to: coordinate among existing institutions to codify international standards and leading practices in infrastructure; propose areas where common standards can be developed; and help the G20 decide on how these standards may be institutionalized.

B20 recommendations

In building the next wave of economic growth, the G20 must now focus on implementing further structural reforms as well as the commitments made in Brisbane in 2014.

The following recommendations address key challenges across all G20 members: the need for more trade and investment; safely regulated infrastructure; accessible and affordable finance; more capable and active SMEs; and human capital in the right place, at the right time, with the right skills. In addition, it is critical that G20 members continue to effectively implement commitments already made to improve growth and build resilience, and to make the playing field level via anti-corruption policies.

Implementing agreed policies

The B20 notes with concern that already-agreed policies and agreements to facilitate trade and fulfill commitments in financial regulation and beneficial ownership have yet to be fully implemented. Business is disappointed that implementation of widely endorsed and substantial policies have been protracted and ineffective. As a consequence, the B20 is concerned that the 2 percent additional growth target committed to by the G20 last year, designed to drive global growth and employment, will be compromised unless these policies are more expeditiously finalized and implemented. Accordingly, the B20 strongly supports the emphasis in this year's G20 agenda on implementation. Specifically, the B20 proposes that the G20 should give particular focus on implementation in the following three areas.

Trade Facilitation Agreement

Trade growth slowed to 3.5 percent in 2013 – half the 2011 level and slightly below world GDP growth. This growth is well below the pre-crisis average of 7 percent: from 1987 to 2007, trade grew at twice the rate of global GDP. However, despite the commitment of negotiators to the Trade Facilitation Agreement (TFA), progress on ratification has been disappointingly slow. As of August 2015, only 12 countries out of 161 World Trade Organization (WTO) members have ratified the TFA, and only 5 of these are G20 members. Implementation of the TFA agreement is expected to increase world trade by slightly over \$1 trillion. Importantly, this also translates into 1 percent to world GDP, potentially creating 21 million jobs, 18 million of which will be in developing countries.

RECOMMENDATION 1: Ratify and implement the Trade Facilitation Agreement.

The G20 should take the following actions:

1. G20 members should ratify the TFA by the 10th WTO Ministerial Conference in Nairobi in December 2015 or commit to the earliest deadline, to show leadership to other WTO members.
2. Establish and strengthen their national trade facilitation committees to systematically support and coordinate implementation of trade facilitation measures. The committees should have balanced representation from the public and private sectors. These committees should oversee effective TFA implementation and identify solutions to regulatory, administrative, legislative, and cost barriers to cross-border trade.
3. Commit to a high-quality and prioritized high-impact implementation plan in order to ensure substantive impact of the TFA on the real economy. Among immediate steps the G20 can take to accelerate implementation is to adopt the "single window" approach, by expanding pre-arrival processing, and improving the transparency and predictability of the advance-ruling mechanism, and developing digital systems in order to increase electronically executed operations and risk assessment.

4. Implement tried-and-tested UN and World Customs Organization (WCO) tools and guidelines, most notably the WCO Revised Kyoto Convention and UN TIR Convention, to facilitate implementation of the TFA.
5. Coordinate support to developing trade partners and commit as soon as possible to provide the necessary financial resources and capacity building in order to encourage developing countries to ratify the TFA and ensure its ambitious implementation.

Financial regulatory reform

The global financial crisis required an overhaul of the financial regulatory framework and the establishment of stricter global standards. After seven years of intensive work on new regulations, the priority now is the implementation of those measures that remain. Consistent and coherent financial regulation remains a fundamental requirement for assuring the resilience needed to support inclusive, robust growth. New financial regulations have been implemented mainly at a national or regional level, and not necessarily in a consistent manner. The challenge now is to finalize global implementation and to do so in a way that builds momentum towards achieving greater consistency across markets, jurisdictions, sectors, and asset classes.

RECOMMENDATION 2: Finalize and improve the implementation of the global financial reform agenda.

The G20 should take the following actions:

1. Carefully and proportionally calibrate additional financial regulatory requirements, especially regarding the revision of the standardized model² and the introduction of a capital floor and total loss absorbing capacity (TLAC) requirements.
2. Require continued commitment from authorities and standard-setting bodies to use comprehensive regulatory impact assessments that take into account the cumulative and holistic impact of regulation.
3. Revise the global financial regulatory framework as necessary based on the results of comprehensive impact assessments. A recalibration of the standard approach or TLAC requirements should not be ruled out after review of the results of the cumulative impact study.

RECOMMENDATION 3: Reiterate the need for regulatory consistency and improve the consultation process in the financial reform agenda.

The G20 should take the following actions:

1. Strengthen institutional mechanisms for regulatory cooperation with the establishment of a memorandum of understanding between regulators and all key public and private-sector stakeholders.
2. Pay greater attention to the specific needs and characteristics of emerging market economies in finalizing and reviewing implementation of regulatory measures.

Beneficial ownership transparency

Among the factors that can reduce corruption in business, transparency around the ownership and control of companies is especially significant. Shell companies harbor activities such as money laundering, tax evasion, and financing of illicit activities leading to erosion of the rule of law across different jurisdictions. Not only do such activities take place through misuse of

² Refers to the standardized approach for credit risk as defined by the Basel Committee on Banking Supervision (BCBS). This method relies on external ratings to calculate capital requirements for credit risk exposures. A new revision to the method was released for comments in March 2015.

public and private funds, they also hollow out the businesses themselves, eroding trust therein. Although there is no consistent approach to disclosure of ultimate beneficial ownership, governments have made some progress toward addressing these issues over the past few years. In 2014, G20 leaders committed to adopting the “G20 High-Level Principles on Beneficial Ownership Transparency”. However, much remains to be done at the global level.

RECOMMENDATION 4: Implement the G20 High-Level Principles on Beneficial Ownership Transparency.

The G20 should take the following actions:

1. Review and consider the findings of the World Bank and Transparency International on beneficial ownership and agree to establish models for management of central registers of beneficial ownership.
2. Make regulations consistent across jurisdictions in order to simplify the compliance burden experienced by businesses and agree on the benchmarking standards and compliance standards for the G20 High-Level Principles.

Correcting imbalances

The B20 has identified significant areas of market imbalances where the G20’s intervention is justified to enable growth and job-creation. In particular, imbalances in investment and infrastructure as well as in skills lead to problems across the globe and require G20 intervention.

Imbalances in investment and infrastructure

Open flow of investment enables more efficient allocation of capital, people, and knowledge around the world that increases the prosperity in both developed and developing economies. Despite a growing consensus in developed countries on international investment rules and the increasing convergence of interests between developed and developing countries, significant barriers remain to negotiating a single, globally consistent set of investment principles. Different political, regulatory, and legal frameworks and policies lead to inconsistent regulatory decisions that increase investor uncertainty.

With regard to investment in infrastructure, the gap in economic infrastructure investment is estimated to be \$15 trillion to \$20 trillion over the next 15 years. Based on expected infrastructure need compared with historical spend as a percentage of GDP, some G20 countries have a spending gap as large as 2 percent of GDP on an annual basis, while others have a surplus of similar size. The scale of the capital required is beyond the capability of individual governments, particularly at a time of fiscal constraint and weakened economic conditions in many parts of the world.

The private sector may play a bigger role, but market inefficiencies and legislative and regulatory disincentives constrain private capital that could fund infrastructure projects. To this end, the G20 endorsed the “Global Infrastructure Initiative” in 2014, but barriers to unlocking funding by institutional investors (in particular insurers and private pensions) remain. They include: 1) regulatory constraints; 2) high costs of transactions and project development; 3) inadequate innovative financing mechanisms, marketplaces, and risk-adjustment tools; and 4) lack of a transparent pipeline of bankable projects tied to coherent, evidence-based, national strategic visions.

RECOMMENDATION 5: Develop a common set of international investment principles and promote greater transparency and harmony in taxation related to FDI.

The G20 should take the following actions:

1. Strengthen the international investment framework by mandating the OECD and UNCTAD, in consultation with the WTO, to prepare a common set of “international investment principles” to promote broad adoption of existing international standards. Such principles should include fair and equitable treatment of foreign investments, clear limits on and compensation for expropriation, and binding dispute-resolution mechanisms.
2. Adopt the OECD Code of Liberalisation of Capital Movements and/or subscribe to the OECD Declaration on International Investment and Multinational Enterprises by the next G20 Summit in 2016.
3. Promote greater transparency and harmony in taxation and incentives related to FDI and give due attention in the discussions on Base Erosion and Profit Shifting (BEPS) to the impact of rules on debt and interest deductibility on cross-border infrastructure investment.

RECOMMENDATION 6: Develop country-specific infrastructure strategies linked to G20 growth aspirations.

The G20 should take the following actions:

1. Identify at an individual-country level overall infrastructure assets and future needs, prioritizing the optimization of existing assets through demand management, operational improvements, and intelligent usage management techniques.
2. Set national strategies for investment at an individual-country level and develop a coherent, evidence-based, national strategic vision for infrastructure investment to address investment gaps.
3. Conduct a systematic review of existing assets and publish credible and transparent pipelines of infrastructure interventions and evaluations (with cost-benefit analyses), including greenfield construction, brownfield privatization, and capital recycling initiatives.
4. Involve and make use of existing infrastructure institutions, and establish these where they do not exist, to deliver infrastructure projects efficiently and on time.

RECOMMENDATION 7: Improve the infrastructure investment ecosystem to facilitate the development of infrastructure as an asset class.

The G20 members should take the following actions.

1. Improve the enabling environment to increase the number of bankable infrastructure projects and the level of private-sector funds invested by:
 - Creating an enabling regulatory environment for infrastructure investment by commissioning cost-benefit analysis to assess unintended consequences of current and developing prudential standards for banks, insurers, and pension funds
 - Improving the general conditions around project preparation, including supporting and funding multilateral initiatives (such as the World Bank’s Global Infrastructure Facility) to provide technical support and skills during project preparation
 - Developing a standard project structuring approach to help investors evaluate and finance projects
2. Implement infrastructure procurement and approval processes consistent with leading practices by:
 - Developing through the Global Infrastructure Hub and then adopting 1) common standards for infrastructure procurement, including “best-value” tendering approaches (instead of lowest-cost); and 2) an open digital platform to create consistency and transparency in the procurement process
 - Defining through the Global Infrastructure Hub a model approval path with clear criteria that each country can adapt to their own context

3. Support the development of new and existing forms of funding and marketplaces for trading infrastructure assets by:
 - Increasing the role that the private sector can play in project development by, among other things, developing infrastructure project-preparation facilities which provide venture funds for project preparation and development
 - Supporting the development of innovative financing mechanisms to promote additional investments, such as Islamic financing
 - Supporting the development of new and existing marketplaces for trading infrastructure assets
 - Adding liquidity to securities exchanges with governments playing the role of market maker
 - Encouraging international financial institutions to offer political risk insurance and making it more available to potential investors
4. Increase the number of projects developed through public-private partnerships (PPP) and, where necessary, build the capabilities of governments to deliver PPPs.

Imbalances in skills

In the labor market, G20 economies have imbalances between supply and demand for different skills, specifically those driven by technological innovations. Markets, where the skills mismatch is essentially a symptom of a broader “jobless growth” phenomenon, should be balanced by re-skilling and training to increase employment and productivity.

Introduction of new technologies and the sharp deterioration of the relevance of old skills undermine labor participation rates and productivity. Improving skills development and national education policies offers significant economic potential. In the context of rapid population aging in many G20 member countries, the stock of skills available to the labor market becomes more dependent on up-skilling and/or re-skilling the existing workforce.

It is critical that workforce is equipped with the skills demanded by the business. The demand is acute for transferrable skills. Among them entrepreneurial and managerial skills are critical for creating new firms and the scaling of existing firms. These entrepreneurial and managerial skills include the knowledge and skills necessary to solve managerial problems, to introduce products successfully into markets, and to solve technological problems regarding product design and production.

RECOMMENDATION 8: Develop and finance programs aimed at reducing skills mismatches, in particular technical, managerial, and entrepreneurial skills.

The G20 should take the following actions:

1. Review and establish better national skills education policies and strategies consistent with the needs of business and aimed at equipping the workforce with more transferrable skills. These skills policies can be achieved by:
 - Bettering public-private collaboration through developing national skills strategies and reviewing national education plans together with businesses to better align supply with demand for skills
 - Establishing the STEM (Science, Technology, Engineering, and Mathematics) education approach to reverse expected skills shortages in STEM jobs
 - Formulating national apprenticeship strategies and modernizing apprenticeship systems
 - Assigning and funding the OECD and the World Bank Group to jointly develop a Skills Mismatch Index that may be incorporated into national and regional skills strategies
2. Devise national, regional, or joint policies (where applicable) for structural skills development to drive better alignment between the needs of governments and businesses in relation to job creation. This can be achieved by:

- Developing effective re-skilling and up-skilling programs linked to employability
 - Supporting the creation of “skill ecosystems” through facilitating regional networks, such as entrepreneurship networks and centers of excellence providing appropriate policy context and supervising initiatives
3. Increase SME access to entrepreneurial and managerial skills by expanding skills training programs that encourage “learning agility” and entrepreneurship culture at different levels of the school and university system, with the assistance of the programs of the multilateral development banks (MDBs) and international organizations.

Fostering inclusiveness

The B20 believes that the benefits of growth and prosperity should be shared by all segments of society, as this is essential for sustaining economic growth and job creation. Accordingly, following up on the G20’s commitment to strengthening gender equality in employment as well as addressing youth unemployment, and at the same time unlocking the potential of the SME sector are important priorities.

Inclusive employment

The global employment gap, which measures the number of jobs lost since the start of the 2008 financial crisis, currently stands at 61 million. Closing this gap and integrating the growing labor force into the job market will require the creation of 277 million jobs by 2019. Current employment statistics point to opportunities to improve labor-market flexibility and inclusivity, with potential gains both in terms of economic growth and reduced inequality. To reap these benefits, G20 members should push implementation of policies geared towards inclusivity of larger portions of society in the global labor market.

The youth unemployment rate is projected to reach 13.1 percent globally, and increase in many countries. Similarly, women represent 49.6 percent of the total global population, yet only 40.8 percent of the total workforce in the formal economy. These trends will trigger social, productivity, and stability challenges in many countries. Achieving the goal of reducing the gap in participation rates between men and women in G20 countries by 25 percent by 2025 would bring more than 100 million women into the labor force. Overall, closing the gender gap could boost GDP by up to 34 percent for developing countries and increase growth by 12 percent in OECD countries.

RECOMMENDATION 9. Implement comprehensive structural reforms, making labor markets more dynamic and inclusive, to advance employment opportunities.

The G20 should take the following actions:

1. Reduce restrictions on diverse forms of contractual agreements allowing for flexible work.
2. Correlate the needs of the labor market with migration policies.
3. Adjust retirement policies to boost productivity and contribute to reducing youth unemployment.

RECOMMENDATION 10: Increase youth employment and female labor-force participation.

The G20 should take the following actions:

1. Seek to devise policies addressed specifically at the young by ramping up counseling programs, on-the-job training, apprenticeships, and job-assistance and placement-service programs.
2. Commit to implementing non-discriminatory policies aimed at increasing women's participation in the labor force via improving supportive mechanisms such as day-care and elderly care centers, and leave schemes in diverse forms for work-family balance, and by advancing education of women through measures that reduce the opportunity cost of schooling for girls.

Integrating SMEs into global value chains

The business community recognizes that more must be done to enable businesses, and SMEs in particular, to serve their clients through GVCs as these form the centerpiece of world trade and investment. SMEs, which employ more than two-thirds of the private sector workforce and provide over 80 percent of net job growth, have struggled to access GVCs. Obstacles that affect SMEs' ability to enter global value chains both in developing and developed countries include: 1) lack of adequate finance; 2) inability to meet international standards and requirements; and 3) poor access to the digital economy and innovation capacity. The G20 should provide better inclusion of SME needs within the multilateral agenda, to overcome the bottlenecks SMEs face in accessing global markets.

The financing of SMEs is inherently riskier than that of larger companies, since SMEs are subject to more growth uncertainty. Transparent and reliable information on the financial performance of SMEs and their creditworthiness is also hard to collect. Several factors contribute to this lack of available information, including informality, absence of filing requirements, non-adherence to financial accounting standards, and a lack of credit bureaus and collateral registries. Yet, improvements in the availability of reliable information on SME creditworthiness can have a major positive effect on SME financing across a broad range of providers by lowering credit assessment costs and qualifying a wider range of borrowers for more credit on easier terms.

Even if information on SME performance and creditworthiness is improved, financing SMEs will remain inherently riskier than lending to or investing in larger companies. New lending by banks to SMEs has fallen substantially in many G20 members since the start of the financial crisis and been significantly constrained in others, adversely affected by weaknesses in borrowing demand and more cautious attitudes toward risk. Tighter credit standards and wider lending margins have often been the result, limiting access to finance for SMEs as bank lending has slowed. Alternatives to bank financing have been slow to compensate, are constrained in many countries by capital markets that remain underdeveloped with limited infrastructure and inadequate ecosystems.

RECOMMENDATION 11: Make data on SME creditworthiness more transparent and available so that various finance tools that reduce risk associated with SME lending can be used effectively.

The G20 should take the following actions:

1. Improve the availability of reliable information on SME financial performance and creditworthiness by:
 - Encouraging individual members to adopt the World Bank's Principles of Credit Reporting and subsequent updating in line with advances in data analytics
 - Supporting establishment of the fundamentals of SME financial data collection and storage, namely data-sharing networks, credit bureaus, and collateral registries
 - Preparing legislation and regulations to facilitate the foundation and operation of SME scoring and rating agencies

2. Offer SME loan guarantees with clear targets, selection process, and governance, tailored to support SMEs operating in value-adding sectors and exporting SMEs.
3. Prepare and review secured transaction laws to allow for a broader definition of assets as collateral.
4. Encourage equity financing by instituting tax incentives favoring balance-sheet equity.
5. Develop capacity-building programs to assist SMEs and entrepreneurs in approaching investors and lenders more strategically and to improve the availability of reliable information on SME performance.

RECOMMENDATION 12: Broaden and deepen SMEs' access to alternative financing by supporting and harmonizing policies, regulations, and standards.

The G20 should take the following actions:

1. Improve digital supply-chain finance infrastructure; direct a development finance institution to offer supply-chain financing to SMEs, and enact the necessary regulatory changes.
2. Support crowdfunding and peer-to-peer lending platforms by revising laws on the protection of personal data to assure access to needed credit information, and drawing up regulations where needed to assure consumer protection and the confidence required to support continued expansion.
3. Foster SME leasing by assuring the necessary legal protections for leased asset ownership and considering supportive tax provisions.
4. Actively consider where special institutions can play a stronger role in SME financing and review those currently operating to assure they give SME financing the strongest support.
5. Consider legislation and tax treatment where feasible to facilitate use of Islamic and other hybrid financial instruments.
6. Encourage angel investments, venture capital, and private-equity investments both at national and international levels through appropriate tax incentives, standardization of deal documentation, and investments by development finance institutions, and also by pooling vehicles such as funds of funds with the aim of capacity development at fund managers.
7. Realign disclosure and other requirements for smaller firms to facilitate greater issuance and trading of SME debt and equity.
8. Better align regulatory capital requirements on SME securitizations with risks, and finalize criteria for high-quality securitizations eligible to meet liquidity requirements faced by financial institutions.

The challenges for SMEs to integrate into international markets are numerous. Among them is their need for support to comply with international standards on labor, environmental, social, and quality issues. Another important constraint is dealing with the complexity and costs of international expansion. These include the complexity of trade logistics, the difficulty of protecting their rights, limited access to local market knowledge and partners.

RECOMMENDATION 13: Provide support to SMEs to comply with international standards and improve their access to international markets through capacity-building and technical assistance programs.

The G20 should take the following actions to improve SMEs' access to international markets and create an SME-friendly business environment:

1. Provide SME capacity-building programs and support to comply with international labor, environmental, social, and quality standards.
2. Provide technical assistance and advice to assist SMEs in dealing with the complexity and costs of international expansion.

The use of digital technologies is identified as the single most important driver of innovation, competitiveness, and growth. However, SMEs in the G20 have not reached their full potential in this area, as the quality of the digital infrastructure and its use by companies vary significantly.

Innovative SMEs are more productive and grow faster; and participate more successfully in GVCs. Today, SMEs face several challenges to innovation: one important obstacle being the lack of a thriving innovation ecosystem whereby government agencies, private sector, accelerators, universities, and R&D centers can collaborate to facilitate innovation in their products and business processes.

RECOMMENDATION 14: Incorporate a five-year universal broadband connection target into G20 Member Growth Strategies and improve SMEs' access to the digital economy and innovation ecosystems by increasing stakeholder collaboration.

The G20 should take the following actions:

1. Commit to improved digital infrastructures, incorporating into the G20 Member Growth Strategies a five-year universal broadband connection target for all G20 members, along with continuous investment in next-generation digital networks.
2. Foster the development of thriving innovation ecosystems, promote collaboration among public institutions, the private sector, and the science and technology community by:
 - Facilitating connectivity and knowledge transfer across the different actors in the ecosystem, and across borders
 - Building innovation capacity and innovation skills – such as the creation of research and technology organizations, quality and technology transfer systems, and training centers
 - Improving framework conditions, for example, by promoting product market competition, strengthening intellectual property rights systems, and financing innovation

Enhancing competition

Increased competition opens new business opportunities, reduces the cost of goods and services to businesses and consumers, improves economic performance, and creates new jobs. Competition is constrained by increasing barriers to trade and corrupt business practices that form barriers to entry. Meanwhile, the digital economy is potentially bringing further opportunities for increased competition. It is especially crucial for SMEs: digital technologies open up opportunities for them to expand their global customer reach.

Building a more efficient global trading system

Today's entrepreneurs are increasingly "born global" – statistics show that up to 70 percent of newly established SMEs consider global expansion within the first few years of operation. Cross-border e-commerce is a quick way of doing so; and as such, its potential will be greatly enhanced by removing the barriers of the "traditional" trade system as well as the emerging barriers to the digital economy. Another significant restriction on SMEs' ability to conduct business internationally is the existence of mobility and immigration constraints. While entrepreneurial mobility programs exist at the bilateral or regional levels, no such scheme exists at the G20 level. These measures will greatly enhance competition in the G20 markets.

RECOMMENDATION 15: Improve the global trade system for the emerging digital economy.

The G20 should take the following actions:

1. Improve access to IT products by accelerating finalization of the proposed expansion of the Information Technology Agreement (ITA II).
2. Develop measures that go beyond the Trade Facilitation Agreement to facilitate customs procedures with a direct focus on cross-border e-commerce transactions.

3. Establish one-contact information centers to support business around legislation issues concerning cross-border e-commerce.
4. Roll back data flow restrictions and improve standards for cross-border data security.

RECOMMENDATION 16: Initiate the development of G20-wide entrepreneur visa programs.

The G20 should take the following actions:

1. Act jointly to initiate the development of a program to facilitate cross-border travel by entrepreneurs and SME executives.
2. Initiate the development of coordinated national visa programs to allow foreign entrepreneurs to settle in G20 countries to create start-ups.

Rolling back protectionist measures

A considerable number of barriers exist to increased competition; moreover, the B20 is concerned that international barriers to competition are increasing. Non-tariff barriers can have serious negative impacts on GDP growth – more so than tariff barriers. Among these, global business is most concerned about localization barriers to trade. The B20 acknowledges that governments use localization barriers to trade for different reasons: to create local jobs, shield domestic firms, protect infant industries, and sustain important industries, for example. However, these barriers possess several drawbacks. They introduce trade distortions that aggravate, rather than address, underlying problems related to policy objectives. They harm implementing countries by insulating firms from competition and by removing access to technologically advanced inputs. They also result in a reduction in trade in intermediaries, which undercuts GVC activity. Existing WTO agreements are not sufficient to limit these barriers.

RECOMMENDATION 17: Reaffirm commitment to a standstill on protectionism and roll back existing protectionist measures, especially non-tariff barriers, including localization barriers to trade.

The G20 should take the following actions:

1. Reaffirm the standstill commitment and roll back existing protectionist measures, especially non-tariff barriers.
2. Focus on eliminating forced localization barriers to trade through bilateral, plurilateral, and regional agreements to demonstrate commitment to rollback of non-tariff barriers.
3. Initiate negotiations of a plurilateral code on localization barriers to trade through the WTO, and further elimination of localization barriers to trade through the Trade in Services Agreement and the Environmental Goods Agreement.

Promoting integrity in customs and public procurement

Corruption is another barrier to entry; implementing measures against corruption within customs and eliminating non-transparent procurement processes will level the playing field for global business. In particular, border crossings and public procurement processes pave the way for significant anti-corruption issues, limiting competition, especially for SMEs. Digitization of processes in border-crossings and public procurement can bring transparency and efficiency, in turn enhancing competition in the G20 economies.

Border agencies are responsible for administering import taxes, tariffs, and regulations, and also play an important role in export promotion and in helping prevent the entry of harmful goods. Digital systems can also detect and prevent corruption, illegal conduct, and delays in trade. Combating corruption contributes to governments' objectives, including establishing improved trust between buyers and sellers, revenue collection, and more-efficient transit of goods. It also encourages businesses to invest and trade in those countries by eliminating perceived inefficiency and reducing barriers to trade.

Each year G20 government agencies spend trillions of dollars on public procurement. However, as a significant interface between public officials and businesses, the public procurement process is unfortunately open to manipulation and interference. Governments can implement appropriately scoped transparency measures by providing companies with constructive means for tackling solicitation and extortion, and by promoting the use of existing guidelines on ethical conduct. Fulfilling these actions can increase the efficiency of procurement processes by delivering better value for money, advancing the selection of appropriate service providers, rewarding more-qualified contractors, and improving the use of public funds.

RECOMMENDATION 18: Develop and adopt a comprehensive digital environment for customs procedures and cross-border automated clearance systems in all G20 countries within five years through public-private collaboration.

The G20 should take the following actions:

1. Prepare a comparative performance report on the use of technology in e-customs applications in G20 countries and create a “case for change” showing return on investment for customs agencies that combat corruption.
2. Develop and adopt comprehensive electronic customs and border facilitation systems.
3. Model a customs-specific collective action toolkit for use in G20 countries by companies and customs brokers to promote and facilitate parallel collective-action initiatives.

RECOMMENDATION 19: Digitalize public procurement systems, develop high-level reporting mechanisms, and incentivize business compliance programs for public procurement processes.

The G20 should take the following actions:

1. Implement e-procurement systems and other measures across the G20 countries to promote improved transparency, as well as control and accountability in critical procurement projects.
2. Continue to develop and promote the concept of high-level reporting mechanisms.
3. Incentivize businesses to implement robust compliance programs.

For further consideration – Institutional support

Global Skills Accelerator

Rapid developments in science and technology that are transforming labor markets are expected to create further skills mismatches. The Business 20, together with the Think 20, is proposing the establishment of a Global Skills Accelerator (GSA) that aims to address these mismatches by helping young people gain skills for new digital-economy jobs. The proposal was presented to the G20 Employment Working Group with further inputs provided by the World Bank.

The GSA is envisioned to serve as a facility for collecting information on in-demand skills via global talent platforms, which can then be transferred into the design of curricula for various training programs; the training programs are to be delivered via distance learning and/or local partners. The possible areas of focus identified involve technical as well as soft skills. In addition, the GSA will play a key role in facilitating cooperation between industry and education providers, and by advising on how the private sector could collectively inform and bring skills deficits to the attention of policy makers more effectively. The GSA training programs would target young people (18-25 years old), potentially focusing on mobilization of young women.

We urge the G20, with additional support and input from the B20, to study this proposal under the auspices of G20 China in 2016 to further assess and validate the proposed GSA.

B20 Turkey leadership

The Deputy Prime Minister of Turkey Ali Babacan appointed an executive committee that included the representatives of Turkey's six leading business organizations to guide the work of the B20 Turkey in 2015 under the leadership of Rifat Hisarciklioglu, B20 Turkey Chair and President of the Union of Chambers and Commodity Exchanges of Turkey: Mehmet Buyukeksi, Haluk Dincer, Nail Olpak, Erol Kiresepi, Erdal Bahcivan, and Tuncay Ozilhan. The executive committee appointed Sarp Kalkan as B20 Sherpa.

The Economic Policy Research Foundation of Turkey (TEPAV) provided content for taskforce recommendation development, with a team led by Ussal Sahbaz, B20 Content Lead. Directly reporting to the B20 Turkey Chair, the B20 Steering Committee supervised the B20 content. The members of the Steering Committee were Tunc Uyanik (chairman), Janamitra Devan, Robert Milliner, and Guven Sak.

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List of acronyms and glossary of terms

ADB	Asian Development Bank
AFDB	African Development Bank
BCBS	Basel Committee on Banking Supervision
BEPS	base erosion and profit shifting
EIB	European Investment Bank
EGA	Environmental Goods Agreement
FDI	foreign direct investment
GIH	Global Infrastructure Hub
GSA	Global Skills Accelerator
GVC	global value chain
ICC	International Chamber of Commerce
IFC	International Finance Corporation
LBT	localization barrier to trade
MDB	multilateral development banks
NTB	non tariff barriers
OECD	Organisation for Economic Cooperation and Development
PPP	public private partnership
SME	small and medium sized enterprise
STEM	science, technology, engineering, and mathematics
SCF	supply chain financing
TFA	Trade Facilitation Agreement
TiSA	Trade in Services Agreement
TLAC	total loss absorbing capacity
TOBB	The Union of Chambers and Commodity Exchanges of Turkey
UNCTAD	United Nations Conference on Trade and Development
WSF	World SME Forum
WTO	World Trade Organization