RUSSIAN BUSINESS WEEK 2014

DRAFT

Business Recommendations on Business-Government Engagement for Ensuring Growth and Managing Global Risks

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Contents

Preface

These recommendations were prepared by leading Russian and foreign companies within the process steered by the Russian Union of Industrialists and Entrepreneurs (RSPP) in order to present the business position on its engagement with the government on key issues of international agenda: global economic growth, open governance, future development agenda and managing risks of natural and man-made disasters.

The draft will serve as a foundation for a discussion at the RSPP international conference "*Business-Government Engagement for a Safe, Secure and Sustainable Growth*" to be held within the Russian Business Week on March 19, 2014. The conference will bring together key CEOs of the international and Russian companies, representatives of business associations, chambers of commerce and governments.

We thank all companies, organizations and individuals who have contributed to preparing these recommendations. Greatest thanks go to the lead contributors: Vnesheconombank (Macroeconomic Policy and Public Expenditures Efficiency), VTB Bank (Financial Regulation and BEPS), Severstal (Multilateral Trade), Russian Direct Investment Fund (Investment and Infrastructure), Nornikel (Open Governance and Terrorism), RUSAL (Transparency in Extractive Industries and Terrorism), Summa Group (Post-2015 Global Development Agenda and Food Security), Gazprom Neft (Energy Security and Availability), Schneider Electric (Energy Infrastructure Resilience).

We appreciate the contributions and support from BIAC, KEIDANREN, Skolkovo Foundation, Siemens, Sistema JSFC, International Organizations Research Institute at Higher School of Economics and others.

We intend to debate, update and finalize these recommendations, including by adding new issues that might arise. We look forward to your comments, positions, suggestions and questions on the draft. Please send your feedback to Marina Larionova (LarionovaMV@rspp.ru). We would appreciate if you could send your proposals by March 24, 2014.

Foreword from Alexander Shokhin, RSPP President

From Shared Risks to Shared Opportunities: A Business Case for Coordinated Actions

Persistent risks across a wide range of spheres – economic, social, natural and geopolitical, and increasing mutual vulnerabilities call for governments' and businesses' coordinated actions to manage the risks and translate the challenges into opportunities.

The IMF estimates tell us that global growth is projected to increase from 3 percent in 2013 to 3.7 percent in 2014 and 3.9 percent in 2015. However, recovery in many advanced economies is challenged by persistently high unemployment, sluggish productivity, high public-sector budget deficit and debt, remaining fragilities in the financial sector and household balance sheets. Growth in emerging market and developing economies decelerates and is expected to increase to 5.1 percent in 2014 and to 5.4 percent in 2015. Emerging market economies are currently facing a slowdown, increased financial market volatility and capital flow reversal.

Against this backdrop advanced, emerging and developing countries are confronting many common risks: public and private debt; fiscal and current account imbalances; continued accumulation of trade restrictions and trade imbalances; harmful tax practices; human and economic ramifications of pandemics and expanding communicable diseases; rising exposure to environmental degradation and natural disasters; increasing inequality and persistent poverty.

Thus, the volume of trade in goods expanded by less than 2.5% in 2013, and though the WTO growth projections for 2014 point to between 4.0% and 4.5%, this is still below the long term average since 1990 of 5.5%, as the WTO Director-General Roberto Azevêdo's health-check on global trade indicates. The international community still has to reverse the protectionist trend, not an easy task with 407 new restrictive measures introduced from October 2012 to November 2013, affecting 1.3% of world merchandise imports valued at $240 billion.

Tax evasion and tax avoidance have been distorting competition, harming fair business practices, damaging incentives to innovate and depriving governments of resources. We now have to work together with our governments and the OECD to ensure that a coordinated response will foster business competitiveness by providing increased certainty while preventing double taxation.

Health is an indispensable public good. At the national level it has been manifested by the governments' commitment to scale up health expenditures, though to a different degree. At the global level it is evidenced by the international community progress on the three health-related Millennium Development Goals, increasingly complex global health architecture, and a steady expansion of funding for global health in the pre-crisis decade. However, despite successes in fighting infectious diseases, child and maternal mortality, old risks persist and new challenges emerge, resulting from the 2008 financial crisis, the current slack economic growth and growing economic inequality. The risks of pandemics are exacerbated by hyperconnectivity, migration and antibiotic resistant bacteria. The burden of non-communicable diseases is aggravated by demographic decline, unhealthy lifestyles and failure to establish sustainable universal healthcare systems. Strong national, regional and global leadership, collaboration in relevant international organizations and engagement with business are imperatives for ensuring progress in curtailing global health threats.

With rising environmental degradation and increase in disaster risks to citizens, infrastructure, public services and businesses, the need to deal with their consequences has emerged as one of the fundamental impediments to the socio-economic development of many countries. In today's interconnected world, there is no disaster free corner for business to operate. The 2013 Global Assessment Report on Disaster Risk Reduction (GAR13) 'From Shared Risk to Shared Value: The Business Case for Disaster Risk Reduction' reveals that direct losses from past disasters are likely to be at least 50% higher than previously reported. GAR13 also estimates average potential losses from future earthquakes and cyclonic winds alone at $189 billion per year.

Investment into disaster risk management is essential for strengthening business resilience, competitiveness and sustainability. Businesses become more risk sensitive and tend to regard investment into risk management as a priority. Governments have to invest more heavily in disaster risk reduction: this becomes a basic requirement for competitive countries and cities to attract investment. There is a need for a whole of society approach to disaster risk management that ensures private sector engagement as a complement to public actions in enhancing society's capacities for prevention, preparedness and response to disasters, not least in respect of risk transfer.

Migration is another challenge the global community faces. However, it is also an opportunity. Diaspora resources (annual savings of developing countries' diasporas are estimated at $400 billion) can be a source of financing for growth and development. Human resources are a source of skills on the job market, especially important for the countries with aging population and decreasing working age population share. On the other hand irregular flows of migrants, the cost of their integration into the society, potential increase in criminal activity contain significant social and economic risks to advanced and developing countries alike. Governments should learn from each other, and engage with business to build effective migration management policies to translate migration related risks into opportunities, maximizing migration contribution to development and inclusive economic growth, fighting unemployment and poverty.

We approach the 2015 deadline for the Millennium Development Goals. The international community has succeeded in moving towards the critical targets of eradicating poverty and hunger. However, progress has been insufficient and uneven. The High Level Panel of Eminent persons tasked by the UN Secretary General Ban Ki-Moon presented a vision for a universal agenda integrating social, economic and environmental dimensions which is yet to be translated into specific priorities and actions. Most importantly, these priorities and actions are being conceived and will be advanced in fragile economic conditions which significantly reduce the volume of finance available for development assistance. At this critical juncture a visionary but feasible funding strategy, determination and sustained global efforts to maximize both public and private sources of finance are needed. Business remains committed to helping governments mobilize resources from private sources, including FDI for infrastructure investment. However, the governments' catalytic role remains a key to attracting private sector financing.

In the face of these risks more than ever business and governments ought to engage nationally and internationally. In this spirit the RSPP and its Russian and foreign partners came together to develop proposals for coordinated actions to help translate the risks into opportunities.

Alexander Shokhin,

RSPP President

Key Messages

1. Managing Risks to Global Economic Growth and Stability

Macroeconomic Policy and Public Expenditures Efficiency

- Balance fiscal, monetary and structural policies in a way which supports growth and coordinate these efforts on a global level.

- Target monetary policy in advanced economies at supporting demand, tighten monetary policy in emerging economies in case of high inflation and move towards flexible exchange rates.

- Ensure gradual fiscal consolidation taking into account that the level of taxation has reached the limit. Fiscal strategies on revenue side should be aimed at a more even distribution of tax burden and improving of tax administration, while on expenditure side, it is crucial to reassess the effectiveness of budget spending and to rebalance the structure of expenditures to support economic development in the long-term.

- Establish tax systems that stimulate business activities, accelerate innovations and adjust social security benefits to curb social insurance premium companies have to pay for.

Financial Regulation

- Assess the impact of new rules on individual businesses and market as a whole to avoid overregulation, and ensure proper monitoring and peer-review processes that publicly report on how countries implement reforms.

- Develop the standards of cross-border supervision and handling failures of cross-border institutions in a predictable and smooth way to avoid negative spillovers and ensure implementation of outcome-based approaches to resolving cross-border issues.

Base Erosion and Profit Shifting

- Provide opportunities for a more active engagement of business community, including those not engaged in BEPS, while making decisions on BEPS-related issues, with a particular focus on taxation in a digital economy, treatment of intangibles under transfer pricing taxation regimes, and making dispute resolution mechanisms more efficient.

- Ensure a level playing field while adopting new BEPS regulations, taking into account the diversities of business models and national taxation systems.

- Do not impose excessive additional burdens on numerous corporations that have never been engaged in BEPS.

Multilateral Trade

- Promote the fastest possible implementation of the Trade Facilitation Agreement (TFA), leading by example and spreading TFA standards within the members' regional trade partnerships.

- Establish regional trade agreements (RTAs) in a transparent manner in full compliance with the WTO Transparency Mechanism. RTAs negotiations and discussions should involve business community, the agreements should aim to promote stronger economic ties between members and non-members, and be mutually compatible and non-discriminatory for all partners.

Investment

- Agree upon a set of recommendations constituting a multilateral investment framework, setting minimum standards and acting as a model for other countries, with a particular focus on: property rights, equal access, transparency, capital flows, tax regimes, best practices for corporate governance and government guarantees for non-commercial risks and investor protection mechanisms, and visibility of government commitments.

- Enhance the role of national and multilateral development institutions as sources of long-term investments by creating favorable business climate, including administrative procedures that are easy, transparent, stable and predictable.

2. Open Governance for People, Business and Society

Open Government and Open Data

- Consider applying internet based procurement process across all government activities.
- Involve leading ICT companies in improving availability and accessibility of information for business and citizens.
- Determine minimum standards for data quality, accessibility and safety.
- Continue implementation of the G8 Open Data Charter according to national action plans.
- Develop a roadmap for the harmonization of standards and guidelines at the international level.

Information Security

- Define a clear policy direction and an explicit national cybersecurity strategy or agenda.
- Develop a clear division of roles and responsibilities for cybersecurity both within the government, and between the government and the private sector.
- Establish a formal, permanent cooperation mechanism between governments and private sector participants both at the national and international levels.
- Increase government investments into R&D and education and hold public awareness campaigns.
- Ensure officials have sufficient resources for law enforcement, as well as effective mechanisms for international cooperation.

Transparency in Extractive Industries

- Reiterate support of transparency in the physical and derivatives commodities markets as a whole and in particular in the activities of major commodity exchanges such as London Metal Exchange.
- Continue to work on the existing mechanisms, including the Lough-Erne G8 Summit decisions and Extractive Industries Transparency Initiative.
- Enhance the dialogue with extractive industry companies on transparency over company ownership and control, as well as implementation of relevant FATF standards.
- Ensure coordinated government actions on disclosure requirements across countries.
- Continue the efforts to increase transparency of pricing in commodity exchanges and derivatives markets.

Combating Crimes in Financial Sphere

- Continue to work on development of transparency principles and requirements in collaboration with relevant business representatives.
- Create a roadmap of concrete measures to improve information sharing and immediate feedback mechanisms from the public authorities to the economic entities involved.

3. Global Development Agenda and Well-Being of People

Post-2015 Global Development Agenda

- Ensure that the role of business is fully recognized in post-2015 development agenda.

- Develop with support from the OECD and other relevant institutions a system of measuring the long-term impact of private sector participation in development cooperation.

- Encourage all assistance providing countries to develop and publish strategies of involving private sector in development cooperation programs.

- Consider creation of a compendium of best practices on business involvement in development projects.

- Promote active participation of all stakeholders in international dialogue mechanisms which focus on sustainable business practices like the UN Global Compact.

- Promote private sector involvement in development data collection.

- Develop effective risk management systems and awareness raising mechanisms on cooperation with developing countries.

Infrastructure for Development

- Establish a working group on financial systems and capital markets, managed by the OECD and the World Bank, to develop and employ appropriate mechanisms and instruments, as well as identify and address regulatory, tax and legal impediments, across both developing and developed countries, to channel domestic pools of long-term capital for financing of real economy assets, including large infrastructure projects.

- Work towards improving the mandate and capital base of the World Bank's Multilateral Investment Guarantee Agency (MIGA) in order to promote FDI by providing political and credit guarantees for a portfolio of projects in developed and developing countries.

Food Security

- Launch the "Far East Grain Corridor" project to resolve the infrastructure difficulties in supplying grain to the Asia-Pacific region.

- Harmonize international grain standards.

- Undertake a global analysis of the Earth's soil resources quality.

- Create and optimize commercial reserves of basic foodstuffs, particularly cereal foods, at regional and sub-regional levels.

Global Health Security

- Promote cooperation with the private sector in enhancing global food supply chains and developing new requirements and standards regarding food production and distribution.

- Support existing public-private initiatives aimed at increasing access to immunization in low-income countries, such as the GAVI Alliance.

- Engage with pharmaceutical industry to better address barriers in developing new antibiotics, actively research, assess and address risks associated with the emergence of new infections.

- Engage business community in global advocacy campaigns and multi-stakeholder dialogue to assess the impact of stroke on developing countries, scale up access to medicines and medical services for the most vulnerable, enhance legislation, national support mechanisms and monitoring frameworks allowing private sector to participate more actively in global efforts to address stroke.

- Support private sector participation in advancement of scientific research aimed at prevention, treatment and rehabilitation from stroke.

4. Combating Risks to Global Security

Managing Risks of Natural and Man-Made Disasters

- Establish or revitalize national resilience strategies, including development and improvement of critical infrastructure related to business operations.
- Involve private sector in the discussion and design of effective risk management at national, local and international level to review preventative measures and response plans with the key business users of the infrastructure and assess the current state of the infrastructure, potential interdependencies, and the business role in rapid response mechanisms.
- Discuss with business the concepts of insurability and explore the reasons for lack of insurance, specifically in case of catastrophic environmental risks.
- Share information on disaster management to improve their national resilience.
- Guide and support SMEs in establishing their business continuity management (BCM) strategies to help in strengthening the continuity throughout the supply chain.

Ensuring Resilience of Critical Energy Infrastructure

- Develop national strategies for governance of critical risks.
- Use available technologies to build risk anticipation capabilities and link them directly to decision-making.
- Monitor and strengthen core risk management capabilities including predictive technological tools.
- Raise awareness about exposure to critical risks to encourage a full society response that engages all stakeholders and facilitates trans-boundary co-operation.
- Establish strategic crisis-management capacities.
- Create adequate conditions and encourage businesses to take steps to ensure business continuity, with a focus on critical infrastructure operators.
- Kick-off the continuing public-private dialogue on the steps to address the challenges and risks to the energy infrastructure.
- Engage all interested parties and develop policy tools to create attractive business environment and positive investment climate.
- Create conditions for smart grid development.

Ensuring Long-Term Energy Security and Availability

- Develop and conduct energy policy based on risk assessment and cost-benefit analysis, taking into account auxiliary effects of various technologies.
- Enhance development of alternative energy sources by promoting new and using existing back-up energy facilities, with possible transition to capacity-based payments to backup facility providers to ensure proper returns on investments and avoidance of supply disruptions and price spikes.
- Do not use energy consumption and carbon tax revenue as a part of general fiscal policy to balance budgets.
- Do not adopt subsidies for new technologies interfering with consumer choice, influencing infrastructure investment decisions and distorting energy markets.

Countering Terrorism

- Enhance cooperation between governments and business on ensuring infrastructure, especially transport, resilience to terrorist attacks.
- Hold a meeting of the Strategic Partnership of Governments and Businesses to Counter Terrorism in 2014 with a broad participation of officials and private sector representatives from a number of countries, including those suffering from terrorist attacks.
- Call on all United Nations member-states to sign and ratify the 1979 International Convention against the Taking of Hostages.
- Support the study of links between transnational organized crime and illicit trafficking in precious metals conducted by the UN Interregional Crime and Justice Research Institute including by providing the examples of relevant national, regional and international legislation, regulatory standards, best practices, case studies and other relevant materials.

1. Managing Risks to Global Economic Growth and Stability

Macroeconomic Policy and Public Expenditures Efficiency

Sound Macroeconomic Policies

Issue

The global economy has recently demonstrated clear signs of improvement; in particular, growth has strengthened in the United States, United Kingdom and Japan. The euro area is moving towards recovery. Growth has continued in China and other emerging market economies. In Russia growth rates are relatively low, but high growth potential still persists. Despite these recent improvements, the recovery remains fragile and unstable. The global economy is still far from achieving strong and balanced growth. The growth rates are beyond the level required for robust recovery and sustainable development. High levels of public debt and continuing global imbalances need to be addressed.

To restore capital markets health, maintain fiscal sustainability and re-balance growth governments have used various instruments of fiscal and monetary policies. Some of these instruments lead to negative spillovers for the overall economic activity. For instance, tax increases to get public finance back on sustainable path hamper private sector-led economic growth reducing incentives to innovate and create quality jobs. At the same time, attempts to stimulate economic activity in one country, by unconventional monetary policy and competitive currency devaluation, can create substantial imbalances globally causing re-allocation of investments and trade flows. Finally, lack of clarity in public fiscal plans negatively affects growth as it considerably constraints planning and investment opportunities for business.

Thus, it is crucial for business community today that governments balance fiscal, monetary and structural policies in a way which supports growth and coordinate these efforts on a global level. It is essential that governments address these problems in a transparent way, involving business community.

Recommendations

Governments are responsible for design and implementation of sound macroeconomic policy to maintain fiscal sustainability, financial sector stability and to restore investors' confidence. It requires well coordinated monetary policy, fiscal policy and financial regulation.

In advanced economies monetary policy needs to continue supporting demand in view of ongoing fiscal consolidation. It is essential to avoid early withdrawal of monetary stimulus which could hamper economic growth. Emerging economies need to increase credibility of macroeconomic policy. Those emerging economies which suffer from relatively high inflation need to tighten their monetary policy. Going forward to flexible exchange rates will make such economies more resilient to external adjustment.

Fiscal policy in most countries should target achieving sustainable level of public debt in medium-term. Fiscal consolidation should remain gradual, taking into account that the level of taxation has reached the limit. Fiscal strategies on revenue side should be aimed at a more even distribution of tax burden and improving of tax administration.

On expenditure side, it is crucial to reassess the effectiveness of budget spending and to rebalance the structure of expenditures to support economic development in the long-term. Reorientation of spending toward investment is needed, particularly in infrastructure and SME support facilities.

Supporting Economic Growth

Issue

One of the major challenges the advanced countries have to tackle is to sustain economic growth without compromising fiscal consolidation. This can be only achieved if steps are taken to encourage business to expand investment and increase employment. Another challenge is to make socio-economic system work effectively in an aging society.

Recommendations

Business calls upon the governments to set the rules and conditions in which free and fair market mechanisms operate. Specific actions to be taken include promoting regulatory reform, establishing a tax system to stimulate business activities, and accelerating innovation such as through lending support to R&D activities. With a view to maintaining a vibrant society, the governments are requested to reform social security system in the manner that suits its own situation. Adjusting social security benefits and curbing social insurance premium companies have to pay for constitute important part of its reform.

Financial Regulation

Issue

Policymakers remain committed to reforming the global financial system and building a safer, more resilient financial system to better serve the needs of the real economy. Policy measures that have been implemented include enhanced capital and liquidity buffers for strengthening financial institutions' resilience to economic shocks, resolution planning for "too-big-to-fail" institutions, transforming shadow-banking activities into transparent and sustainable market-based financing, and making derivatives markets safer and more transparent.

Now as major financial reforms are completed, it is important that all stakeholders fully benefit from an open, integrated and resilient global financial system.

Discrepancies between the spirit of global regulatory standards and their effective implementation in each jurisdiction create uncertainty for market participants. Inconsistent implementation along with overregulation can create uneven playing field, foster regulatory arbitrage and increase the cost of compliance for financial entities active in several jurisdictions.

Recommendations

Governments in collaboration with business should thoroughly assess the impact of new rules on individual businesses as well as the market prior to their adoption to avoid overregulation.

Governments should ensure rigorous monitoring and peer review processes that publicly report on how countries implement reforms. More importantly, they should ensure that reforms actually help the real economy especially in supporting the financing of long-term investment and economic growth.

Regulators should be committed to developing and applying global standards of cross-border supervision and handling failures of cross-border institutions in a predictable and smooth way, avoiding the unintended consequences of uneven, unpredictable or extra-territorial application of rules, as well as the fragmentation of global financial markets through ring fencing of domestic markets.

Financial regulators should put in place appropriate cross-border institutional mechanisms to make sure that the outcome-based approaches are followed for resolving cross-border issues. In other words, jurisdictions should recognize non-identical market regulations of other jurisdictions as long as their outcomes are similar.

Base Erosion and Profit Shifting

Issue

In the era of globalization national tax laws have not kept pace with global corporations, fluid capital, and the digital economy, leaving gaps that can be exploited by companies who avoid taxation in their home countries by pushing activities abroad to low or no tax jurisdictions. This undermines the fairness and integrity of tax systems.

The OECD Action Plan on Base Erosion and Profit Shifting (BEPS), launched in July 2013, identifies 15 specific actions needed in order to equip governments with the domestic and international instruments to address this challenge.[1]

With advancing globalization and digitalization, the current international taxation system has become unable to keep up with certain aspects of economic activities. Given this situation, it is generally significant that the OECD is working to revise the Model Tax Convention and the Transfer Pricing Guidelines and harmonize the laws of the member countries. We hope that the effort to create a common framework will move forward, involving non-OECD member countries as well.[2]

The Action Plan's successful implementation in accordance with its ambitious schedule will require closer international co-operation, greater transparency, further development of data and reporting requirements as well as constructive dialogue of all the parties involved.

It is national governments' and international organizations' responsibility to revise taxation rules and tackle BEPS. However, businesses should have an opportunity to participate more actively in consultations on BEPS at national and G8 levels including through OECD before regulatory decisions are made.

Being a key party to the BEPS process, business community is committed to sound tax policy principles embodied in the BEPS and fully supports the Action Plan.

Simultaneously, it is necessary to ensure a level playing field while adopting new regulations, taking into account the diversities of business environment and national tax systems.

Recommendations

Governments should provide opportunities for a more active engagement of business community while making decisions on BEPS-related issues.

Governments implementing BEPS should ensure a level playing field while adopting new regulations, taking into account the diversities of business models and national taxation systems.

The issues of particular importance are taxation in a digital economy (Action 1 of the BEPS Action Plan) and the treatment of intangibles under transfer pricing taxation regimes (Action 8). It is hoped that clear rules on these issues will be promptly established. With corporations facing international double taxation, another important issue is to make dispute resolution mechanisms more efficient (Action 14). We are also ready to support the development of a multilateral instrument (Action 15) if it contributes to swift resolution of disputes.

However, the BEPS Action plan contains multiple items that make us wonder if the ends justify the means. The most notorious example is Action 13 "Re-examine transfer pricing documentation." It is our understanding that the purpose of the BEPS Action Plan is to counter tax avoidance practices of some multinational enterprises (MNEs), thereby ensuring a level playing field. If that is the case, it is unreasonable and counterproductive to impose excessive additional burdens on numerous corporations that have never been engaged in BEPS. While some appear to argue that addressing BEPS requires gathering information comprehensively, we believe it highly irresponsible to try to resolve a particular issue at the expense of corporations.

Governments should take into consideration the voice of businesses which are not engaged in BEPS. Any systems need to be structured so as not to hamper business activities.[3]

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[1] About BEPS, OECD. http://www.oecd.org/ctp/beps-about.htm.
[2] Comments on "Discussion Draft on Transfer Pricing Documentation and CbC Reporting". https://www.keidanren.or.jp/en/policy/2014/016.html
[3] Comments on "Discussion Draft on Transfer Pricing Documentation and CbC Reporting". https://www.keidanren.or.jp/en/policy/2014/016.html

Multilateral Trade

Trade Facilitation

Issue

The WTO members were striving to agree upon the text of the Trade Facilitation Agreement (TFA) for the last 12 years. Finally, it was adopted within the Bali package on the 9th WTO Ministerial Conference in 2013. Implementation of the TFA obligations within Bali package will benefit both developed and developing countries by fostering new source of economic growth. Moreover, adoption of the TFA could affect even non-WTO members within respective regional partnerships. However the starting point for on-the-ground implementation is adoption of the Bali package by the WTO General Council and its ratification by 2/3 of the WTO members. It's expected that both these processes will take at least 2.5 years. Hence the benefits for economic growth and job creation provided by trade facilitation will have to wait for the fulfillment of bureaucratic procedures and extended implementation process.

Recommendations

Our governments could facilitate the fastest possible implementation of TFA, leading by example with the shortest preparatory period and expedient on-the-ground implementation of TFA requirements. This could include a comprehensive gap analysis between existing and target practices and a clear road map to close these gaps in the shortest possible time. On the top of domestic implementation participating countries could spread TFA standards within their regional trade partnerships; e. g. Russia could extend the application of TFA on Customs Union members which are not the WTO members yet.

Regional Trade Agreements

Issue

The rise of regional and bilateral agreements of the past decade was partly a response to multiple obstacles facing the multilateral trade agenda. Over 500 RTAs were notified to the WTO/GATT to date and there is an increasing number of RTAs under negotiation. Our countries remain active in negotiating new RTAs, including the Transatlantic Partnership between USA and EU, the Trans-Pacific Partnership and the Customs Union. RTAs are proved to be an important instrument to facilitate trade and investments but on the other hand the rise of multiple RTAs creates excessive complexity through different frameworks, rules of origin, etc. This becomes a burden for businesses, especially for SMEs. Moreover, the newly appearing RTAs may differ in strength of commitment to the WTO rules and transparency principles. According to OECD research, each agreed commitment on transparency adds over 1% in bilateral trade flows. Lack of transparency otherwise impedes progress in multilateralization of trade system and squeezes economic growth opportunities.

Recommendations

Our governments should ensure that newly emerging RTAs are mutually compatible, inclusive and as much as possible aligned with multilateral trade system goals. RTAs should be established in a transparent manner and aim to promote stronger economic ties between members and non-members, e.g. Transatlantic Trade and Investment Partnership should not be rival but compatible with Customs Union agreement. Business community calls on the governments to establish new RTAs in a transparent manner in full compliance with the WTO Transparency Mechanism, make sure that the business community is involved in the discussions and the new agreements are compatible and non-discriminatory for all trade partners involved.

Investment

Multilateral Investment Framework

Issue

Maintaining an open investment regime is crucial for generating economic growth, employment and prosperity around the world. Investment restrictions prevent capital from being allocated effectively across the world and, thus, depress competition and innovation. Governments often limit cross-border investment in the defense of 'national security' or a 'strategic industry'. After the global financial crisis, when cross-border capital flows collapsed, global leaders committed to refrain from protectionism, yet most governments took measures that in one way or another have negatively affected foreign investment. This leads to imposing burdensome and discriminative regulations on business.

In addition, regulatory barriers and the absence of common accounting standards limit the ability of asset managers, such as insurance companies and pension fund managers to make long-term investments, especially in equities.

Recommendations

Our governments should agree upon a set of recommendations constituting a multilateral investment framework, setting minimum standards and acting as a model for other countries. This framework, underpinning promotion and protection of long-term investments, should have a particular focus on: property rights, equal access, transparency, capital flows, tax regimes, best practices for corporate governance and government guarantees for non-commercial risks and investor protection mechanisms, and visibility of government commitments. The 2012 International Chamber of Commerce (ICC) Guidelines for International Investment could be used as a template for such a framework.

Additionally, international institutions should review and suggest improvements to financial reporting to make the existing reporting model more conducive to long-term investments.

Development Institutions as Sources of Investment Finance

Issue

Development institutions and other institutional investors are the key providers of long-term investment finance. Long-term financing is essential for physical and intangible investment across all sectors of the economy, especially in infrastructure, new technologies, innovations, production equipment, research and development, education and skills. All these sectors create the basis for sustainable development.

As long-term investors financial development institutions can provide necessary financing for investment projects with appropriate time horizon. They also bring their unique expertise to structure investment projects in the most effective way, improve their quality and attract private investors. Financial development institutions have a possibility to increase the volume of public investment by organizing public-private partnerships. Development institutions also elaborate new investment opportunities and investment strategies in such important areas as green economy, energy efficiency and climate change.

Recommendations

Governments should enhance the role of national and multilateral development institutions. Strengthening development institutions is required to achieve the highest possible growth effect. Active role of development institutions could multiply the effectiveness of supportive fiscal and monetary policy and boost economic activity in medium- and long-term.

Governments should conduct policy and establish regulatory framework which encourage development institutions and other institutional investors to make long-term investments and thus provide a stable source of capital for the economy.

Favorable business climate including effective judicial system should be created by governments as a precondition for long-term investments. Business regulation and administrative procedures should be easy, transparent, stable and predictable. In particular, policies should support the attraction of long-term financing for infrastructure, housing and utilities sector, renewable energy, energy efficiency and SME development.

Safety and soundness of the global financial system are essential prerequisites to provision of long-term finance. Thus financial regulation reform should promote a sound and resilient financial system. However, while tightening financial regulation and strengthening capital requirements, the financial regulatory framework should recognize different types of long-term investors and reflect the particular risk characteristics of long-term assets, the investment horizon and typical holding period of these investors. It is necessary to avoid any regulatory distortions which could induce long-term investors to shorten their time horizon and behave procyclicaly.

2. Open Governance for People, Business and Society

Open Government and Open Data

Issue

Open government enables the governments together with the citizens, experts, private sector, civil society organizations and media to swiftly identify problems, find appropriate solutions, forecast and assess the impact of policies; counter corruption; enhance legal protection and quality of life for the people; foster social and economic development of nations and global integration.

By capturing data electronically, releasing data publically, and identifying ways to improve data quality, governments can contribute to business decision-making and significantly improve overall competitiveness. It is estimated that open data can help unlock $3.2 billion to $5.4 trillion in economic value globally each year, in particular in the fields of education, transportation and consumer products.

Making governments more open, accountable and responsive is essential to strengthening democracy and promoting efficiency and effectiveness. Furthermore, by opening up government data, e.g. on procurement and contracting, governments can directly boost competition, enabling new companies to enter the market.

Openness of data can be defined by four characteristics; accessibility (everyone has access, not just a subset of individuals or organizations), machine readability (data is available in formats that can be easily retrieved and processed by computers), cost (there is no cost to obtain the data), and rights (there are unlimited rights to reuse and redistribute data). In addition, the quality of data, e.g. timeliness and comprehensiveness, is important.

It is crucial that government establish clear rules for both internal and external use of data, and standards for data quality, format and security. In this, both listening to private sector demands, as well as finding alignment internationally governments can facilitate business operations domestically and internationally.

Recommendations

- Consider applying internet based procurement process across all government activities in order to promote fair competition and transparency. Existing legislation regarding the public sector procurement should be reviewed to remove restrictions to the extent possible, and ensure equal access to all companies (with preferential treatment of SMEs).
- Further seek to involve leading ICT companies in the implementation of innovative solutions aimed at improving the availability and accessibility of information for business and citizens. Early involvement of the business sector in the design process could be implemented through promotion of opportunities and open competitions.
- Improve legislation and mechanisms for the publication of open data to ensure both value capture and mitigation of individual and organizational data risks. Minimum standards for data quality, accessibility and safety should be determined.
- Continue implementation of the G8 Open Data Charter according to national action plans.
- Develop a roadmap for the harmonization of standards and guidelines at the international level.

Information Security

Issue

Global internet and telecommunications have shaped the world in a transformational way, offering unparalleled opportunities for value creation. At the same time, dependence on ICT poses significant risks for nation states and private businesses alike, and national level information and cybersecurity has become a key concern.

Governments, private companies and citizens face increasing threats from various directions; most often divided into categories of crime, hactivism, espionage, and cyberwar. While the cyberspace has been somewhat resilient until today, risks to the internet continue to grow. In addition to malicious attacks, potential threats with systemic impact include, e.g. a large cloud provider suffering from a financial failure, or an environmental catastrophe affecting the underlying physical infrastructure of the Internet.

There is recognition that the growing role of cyberspace is not only a technical and geopolitical concern, but also a serious risk to economic well-being With cost of possible criminal action estimated between $300 billion and $1 trillion.

A fundamental danger is the loss of trust in cyberspace, between countries, companies, organizations, and individuals. In a worst case scenario, the Internet would cease to be a trusted medium for communication and commerce, increasingly abandoned by consumers and enterprises. This would lead to a world in which the Internet is less open, less resilient and fundamentally less valuable than the one existing today.

Recommendations

- Define a clear policy direction and an explicit national cybersecurity strategy or agenda.
- Develop clear division of roles and responsibilities both within the government, and between the government and the private sector.
- Establish a formal, permanent cooperation mechanism between governments and private sector participants both at the national and international level, to actively engage businesses in the dialogue to develop national and international cybersecurity agenda, including information sharing, legislation development and international harmonization of norms and standards.
- Increase government investments into R&D and education and hold public awareness campaigns. There is a specific demand for joint research efforts between governments and private sector on international level to measure the economic impact of cyber risks.
- Ensure officials have sufficient human and capital resources for law enforcement, as well as effective mechanisms for international cooperation, when it comes to cybercrime.

Transparency in Extractive Industries

Issue

During the last decade, the extractives market has undergone major changes, and significant challenges lay ahead. Related high price levels and their volatility, structural changes in supply and demand, ability of resource rich countries to transfer their wealth into long-term development, and the corruption are often associated with the resource wealth.

Most, if not all, resource prices remain close to historically high levels. The volatility of resource prices has also been considerably higher since 2000. Short-term volatility is influenced by many factors, such as extreme weather, labor strikes, restrictions on exports, financialisation, and there also appears to be an increasing evidence of a structural supply issue that is driving longer-term volatility.

Volatility and unpredictability of commodities markets represent a risk for both producers and importers. The outstanding volume of financial products using commodities as an underlying asset is constantly increasing, and purely financial actors (investors and financial intermediaries) are representing a much higher share of the derivatives markets that end-users (producers and consumers). For instance, the notional amount of derivatives products using oil as an underlying asset represents on average up to 200 times the total of the underlying traded physical oil.

The question is not resolved if the size of the commodities derivatives markets and the investment decisions made by its financial participants actually have an impact on the price formation and volatility on the physical markets. It is however a statistical fact that, contrary to past decades, the primary and derivatives markets in commodities are now strongly correlated with securities markets evolutions and volatility. In the past, commodities could represent a safe haven from a stock market crisis, now it is not the case anymore and it indicates that a new financial crisis would reverberate in both fields, thus offering no «counter-cyclical buffer» for producing countries.

While the broader introduction of commodity derivatives provides more liquidity in commodities markets, it also opens to public criticism for potentially allowing financial speculation. As a result a clear political objective to eliminate market distortions associated with financial speculation in derivative markets has been set at the international and national level. The G20 recommended at the Cannes Summit and reaffirmed in Los Cabos that market regulators should be granted effective intervention powers to address disorderly markets and prevent market abuses.

A particularly acute example is the global aluminium market, which has been radically reshaped over the past decade by the rise of financial investors in the metal. While previously natural resources were bought almost entirely by industrial end users, the majority of metals spot and futures contracts are now bought by speculators or financial investors holding the metal or future obligations on it to profit from a rise in their value. For example, in 2013 the volume of trade in aluminum based financial derivatives at the London Metal Exchange (LME) exceeded the industrial demand by the factor of 34 (compared to 25 in 2002). This growth of LME stocks has become a major bearish factor of the 'world price' for aluminium determined by the LME and widely used by major stakeholders in the world aluminum industry as indicative price for contracts, accounting, investment planning etc.

It has become an accepted principle of financial markets reform over the last five years that sound policy can only be made on a clear understanding of how a market is functioning. Moving trading into clearing systems and requiring reporting to trade repositories are central to both the US Dodd Frank rules and new EU legislation (Markets in Financial Instruments Directive, MIFID II). The same principle runs through these rules: an efficient and sound market is one where positions and movements are clear and transparent for market participants. Not being regulated entities, traders in commodities are not subject to any capital requirements or any best execution rule in the benefice of their clients, and are taking mainly proprietary positions. Therefore they are in position to easily generate volatility in prices on either physical or derivatives markets, or both.

There are also increasing concerns on transparency and how to combat corruption that is often associated with resource wealth. Meanwhile, there is a need to find a balance between requirements for industry transparency and disclosure of commercially sensitive information.

These challenges require action by both governments and private sector, related to coordinated action for economic development and long-term value creation, as well as extractives industry and market transparency.

Recommendations

- Governments should reiterate support of transparency in the commodities markets as a whole, both physical and derivatives, and in particular in the activities of major commodity exchanges such as LME.
- Continue to work on the issues addressed in the Lough-Erne Declaration related to extractives industry transparency and legitimacy, and to build on initiatives like the Dodd-Frank Act, EU country-by-country reporting, and the Extractive Industries Transparency Initiative.

- Further enhance the dialogue with extractive industry companies on transparency over company ownership and control, as well as timely and consistent implementation of relevant FATF standards, while minimizing regulatory burden on multinational companies and finding balance between transparency and protection of commercially sensitive information.
- Ensure coordinated government actions on disclosure requirements across countries to ensure a level playing field especially for multinational companies.
- Continue the efforts to increase transparency of pricing in commodity exchanges / derivatives markets, including by publishing detailed reports on the number of commodity contracts held by hedge funds, commercial users and other market participants. Further, governments should aim to harmonize and strengthen requirements across major commodity exchanges and derivatives markets in general.

Combating Crimes in Financial Sphere

Issue

Transparency over company ownership structures, and payment and profit flows can help governments to tackle illicit financial flows stemming from corruption, tax evasion, and money laundering, potentially used to finance terrorism. This improves the overall investment climate, increases the security of doing business and rebuilds trust between society and business community.

However, new rules and regulations may also result in significant additional costs for business, e.g. in the form of regulatory burden on reporting, and exposure of commercially sensitive information in highly competitive markets. This is particularly harmful in situations, where a multinational corporation operates in markets with different regulatory requirements regarding transparency.

Financial market participants play a key role in combating unfair practices and identifying suspicious client operations. However, although procedures are constantly improving, not all criminal activities can be identified through transaction monitoring, though financial market actors spend significant resources to fulfill their obligation to report and analyze information with respect to the mandatory control operations. On the other hand, public authorities, having greater volumes of information and analytical capacity, are uniquely positioned to analyze information and identify emergence of new criminal activities.

Recommendations

- Continue to work on development of the major principles and requirements for private companies to increase transparency and promote good governance, in collaboration with relevant business representatives.
- Clarify roles and responsibilities, and identify and remove potential overlapping functions related to monitoring suspicious transactions, and combating illegal company activities and unfair practices. Specifically, create a roadmap of concrete measures to improve information sharing and immediate feedback mechanisms from the public authorities to the economic entities involved. This work can be led by FATF and result in new initiatives for the international community.

3. Global Development Agenda and Well-Being of People

Post-2015 Global Development Agenda

Issue

International development cooperation is facing multiple challenges in the post-economic-crisis period. Financial constraints led to reductions in Official Development Assistance (ODA) volumes in the majority of established donors stalling the progress towards achievement of the Millennium Development Goals and affecting the debate on the future development agenda.

Recent years have seen a growing recognition of the importance of non-ODA financing, including private flows in the development cooperation. According to the OECD DAC in 2012, non-ODA flows accounted for over 80% of external resources received by developing countries and more than two thirds of these resources came from the private sector. Currently, most development finance for African countries comes from domestic revenues, private flows and investment, with ODA comprising only 6.5% of the total.[4]

The important role of the private sector in poverty eradication, including through "advancing innovation, creating wealth, income and jobs, mobilizing domestic resources" has been already recognized by the global development community, including at the 2011 High Level Forum on Aid Effectiveness.[5] We note with appreciation further recognition of business as a Partner in Development, which contributes not only to poverty eradication but also to sustainability.[6]

We should work towards shifting the perception of business as just a source of aid financing collected through additional taxes to partners who promote development by fostering economic growth and creating jobs. Excessive taxes and obligations even if they are aimed at providing more development financing could hamper private companies' performance and result in a detrimental drag on national economies. If governments decide to introduce additional taxes for development financing (e.g. financial transaction tax) business should convince them to follow the "recommendation that an efficient tax is a low rate on a large base". Moreover, across different instruments, the tax could be sized to reduce potential economic distortions, so that "the tax on equities would be slightly higher than the tax on long-dated bonds, short-dated bonds, swaps, and futures" given that it is critical that a portion of the money raised is reserved for investments in development.[7]

Private companies are already integrating sustainable development into their corporate strategies, thus going well beyond corporate social responsibility (CSR), using innovation to open new markets and address the needs of poor consumers, promoting sustainable practices by natural resources conservation and eliminating waste, attracting employees and promoting labour rights. In order for all this work to be properly recognized and to ensure better coordination through information exchange companies need to promote "integrated reporting" on their social and environmental impact as well as financial performance.[8] Given the scarce information on private flows for development, data collection carried out by national governments and international organizations should be strengthened by the use of new technologies and new sources, including through civil society and private sector involvement in data collection, monitoring and self- and mutual accountability.

[4] Lough Erne Accountability Report 2013. http://www.g8.utoronto.ca/summit/2013lougherne/lough-erne-accountability.html

[5] Outcome Document Fourth High Level Forum on Aid Effectiveness. http://effectivecooperation.org/files/OUTCOME_DOCUMENT_-_FINAL_EN2.pdf.

[6] First Draft of the Communiqué of High Level Meeting of the Global Partnership for Effective Development Cooperation in Mexico. http://effectivecooperation.org/wordpress/wp-content/uploads/2014/03/FirstDraftoftheMexicoHLMCommunique03March2014.pdf

[7] Innovation With Impact: Financing 21st Century Development Report. http://www.thegatesnotes.com/~/media/Images/GatesNotes/G20/G20-Documents/g20-report-english.pdf

[8] Report of the High-Level Panel of Eminent Persons on the Post-2015 Development Agenda. http://www.post2015hlp.org/the-report/.

Private companies possess capacity for implementing development projects financed by governments while fully reiterating the principles of untying aid. Public financing instruments can encourage additional resources including through catalyzing more private investment.[9] However uncertainty about potential gains and lack of information on government plans and activities hinders business participation. It emphasizes the need for a better awareness raising mechanisms and risk management systems.

Participation of private sector in development is not limited to the activities of companies from countries providing aid. Promotion of entrepreneurship in developing countries, while ensuring equal opportunities for entrepreneurs of both sexes, and enhancement of small and medium enterprises involvement in private-public partnership ventures should be integral parts of development strategies.

We are united in determination of working together with governments and civil society in the framework of inclusive development partnerships to ensure deeper engagement of the private sector in the Post-2015 Development Agenda in the majority of areas with proper recognition of the role business already plays in development cooperation.

Recommendations

- Ensure that the role of business is fully recognized in post-2015 development agenda, including by shifting the perception of business as just a source of aid financing collected through additional taxes to a partner who promotes development by fostering economic growth and creating jobs.
- Develop with support from the OECD and other relevant institutions a system of measuring the long-term impact of private development finance and private sector participation in development projects.
- Encourage all assistance providing countries to develop and publish strategies of involving private sector in development cooperation programs, with due consideration of small and medium enterprises. Clarification of priorities and mechanisms by the governments will allow private sector to better understand its possible contribution.
- Consider creation of a compendium of best practices on business involvement in development projects and preparation of a database of projects implemented with business participation. This will help improve transparency and enhance exchange of information in order to enable a better coordination.
- Promote active participation of all stakeholders in international dialogue mechanisms which focus on sustainable business practices, including the United Nations Global Compact, the World Business Council for Sustainable Development and the B Team initiative.
- Promote private sector involvement in development data collection carried out by national governments and international organizations, by supporting integrated reporting instrument, including the G4 Sustainability Reporting Guidelines.
- Develop effective risk management systems and awareness raising mechanisms to mitigate uncertainty about potential gains and lack of information on government plans and activities in developing countries.
- Make promotion of entrepreneurship in developing countries, while insuring gender equality, and enhancement of small and medium enterprises involvement in private-public partnerships integral parts of development strategies.

[9] Development Co-operation Report 2013. http://www.oecd-ilibrary.org/development/development-co-operation-report-2013_dcr-2013-en.

Infrastructure for Development

Issue

Emerging economies need an enormous infusion of capital to build modern transportation networks and deliver adequate education, health care, water, housing, communication, and energy to their growing populations. Developed economies, too, urgently need investment to jump-start economic growth during a time of deleveraging and fiscal austerity. While consumption is up at pre-crisis peak levels and net exports have increased, long-term investment is lagging severely across most of the developed economies. Many of these countries need to update their aging infrastructure, dramatically accelerate educational attainment and training to build a 21st-century workforce, and revitalize innovation. Continued underinvestment by public and private sectors alike would inflict lasting damage on the productive capacity of these economies and ultimately sustain elevated unemployment levels.

Recommendations

National governments should establish a working group on financial systems and capital markets, managed by the OECD and the World Bank, to develop and employ appropriate mechanisms and instruments, as well as to identify and address regulatory, tax and legal impediments, across both developing and developed countries, to channel domestic pools of long-term capital for financing of real economy assets, including large infrastructure projects. The working group should bring together global business leaders and relevant international organizations, and could build on the work already done by the World Bank, multilateral development banks (MDBs), and the G20 High Level Panel on Infrastructure Investment.

National governments should work with relevant organizations to develop a “PPP Toolbox” that will be continuously aggregating best practices and developing guidelines and templates necessary for successful private-public cooperation in infrastructure projects.

In addition, governments should work towards improving the mandate and capital base of the World Bank’s Multilateral Investment Guarantee Agency (MIGA) in order to promote FDI by providing political and credit guarantees for a portfolio of projects in developed and developing countries.

Food Security

Issue

According to the Food & Agriculture Organization (FAO) data, about 12% of the world population is unable to meet their nutritional needs. FAO statistics show that more than half of those suffering from food shortages live in Asia: 295 million people in Southern Asia, 167 million in Eastern Asia, and 65 million in Southeast Asia.

Percentage of people suffering from food shortages varies considerably from one country to another, even within the Asia-Pacific region; however, in most developing Asian countries proportion is higher than 10%. In China 11.5% of the population experience lack of food, in Bangladesh –16.8%, whereas in Laos - 27.8%. The situation is even worse with child malnutrition - 36% of children in Cambodia lack the necessary amount of calories, while in Indonesia this figure amounts to 18%. According to the International Food Policy Institute in Southeast Asia, stunting caused by a lack of calories has been observed in 34.3% of children, the lack of body weight - in 20.7%, whereas 3.6% children suffer from severe malnutrition. The situation in the less economically developed South and Central Asia is even worse - 40.7% , 33.1% and 5.7% respectively.

Meanwhile, the emphasis of international community work was obviously biased towards the African continent in the recent years, with less attention to the situation in the Asia-Pacific region. Deterioration in food security causes increasing social tension in Asia, which is considered to be one of the main engines for global growth.

In this regard, it seems appropriate to draw the international community's attention to the food security issues in the Asia-Pacific region on a par with Africa. Nevertheless, most of the measures proposed in this document may apply to other regions of the world as well.

Recommendations

To rapidly resolve the infrastructure difficulties in supplying grain to the Asia-Pacific region, the "Far East Grain Corridor" project needs to be launched. This involves an infrastructure network for delivering Russian grain to the Asia-Pacific countries. The key to this project is to build a grain terminal with the capacity for handling up to ten million tonnes of grain per year. Russia would welcome involvement of other countries in this project. Supplies of feed grain for livestock and for the growing aquaculture industry in the Asia-Pacific Region countries can contribute to a rise in consumption of protein-rich foods, and promote a healthy diet. Therefore, combined efforts of business and the public sector can address the food deficiency problems of the region, along with halting unemployment and raising income levels. The result would be a reduction in poverty and higher living standards.

- Lack of uniformity in grain standards in various countries hinders the delivery process. We propose that the all potential stakeholders assist in developing methods for harmonization of international grain standards.
- Considering the natural degradation of the fertile soil layers, we suggest that a global analysis of the Earth's soil resources quality is undertaken. The next step should be to roll out programs for the efficient use of land, including deployment of innovative solutions in the spheres of seed stocks and fertilizers.
- Food prices volatility issues are far from being resolved. Consequently, steps should be taken to create and optimize commercial reserves of basic foodstuffs, particularly cereal foods, at regional and sub-regional levels. The geographical distribution of such food reserves should be based on the opportunities for their actual use. Russia is able to contribute to setting up such reserves.

Global Health Security

Risks to global health remain at the forefront of the development agenda. Growing interconnectedness of the global economy, liberalization of trade, and intensified cross-border travel increase the risks of emergence of new diseases and the spread of existing ones, often with pandemic potential. These ailments can significantly hinder the economy of both developed and developing countries, with the latter being particularly prone to global health security threats.

Food Safety

Issue

Food safety remains one of the key issues on the global health agenda. Around 70% of all infections are food-borne. The globalization of food supply chains calls for the strengthening of food safety, without sacrificing free markets and competition. Thus, international efforts to ensure safety of the global food supply need to be stepped up.

Recommendations

Food safety should be regarded as an integral part of both food security and health agenda. Governments should promote cooperation with the private sector in enhancing global food supply chains and developing new requirements and standards regarding food production and distribution.

Infectious diseases

Issue

Infectious diseases remain a threat to global health security – it is the second leading cause of death worldwide and a leading cause of death of children up to 5 years of age. Despite rapid advances in healthcare that many developing countries have made in the last decades, they still face setbacks in providing children with vaccines - over 22 million children in the world still don't have access to immunization. As vaccination is one of the most cost-effective ways to enhance public health and support development, it needs to become one of the top priorities on the development agenda.

Widespread and prolonged use of antimicrobial agents in medicine has caused a rise of antimicrobial-resistant infections. People infected with antimicrobial-resistant organisms are more likely to experience longer periods of illness and more severe health consequences as a result of such infection.

Recommendations

Governments should support existing public-private initiatives aimed at increasing access to immunization in low-income countries, such as the GAVI Alliance.

Governments need to engage with pharmaceutical industry to better address barriers in developing new antibiotics, actively research, assess and address risks associated with the emergence of new infections.

Non-Communicable Diseases: Stroke

Issue

Non-communicable diseases (NCDs) are the leading cause of death in the world. Stroke is the second most prominent among the NCDs and its incidence is increasing worldwide. Developing countries are the most affected, bearing the burden of between 60% and 80% of all new cases of stroke, mortality from stroke, and number of people living with disability due to stroke. Affecting people in productive age, stroke deeply affects not only individuals, but communities and whole economies, causing significant economic losses and dragging large groups of people into poverty.

Recommendations

The international community should launch a global action to address this issue. Through public-private partnerships businesses should be engaged in global advocacy campaigns and multi-stakeholder dialogue to assess the impact of stroke on developing countries, scale up access to medicines and medical services for the most vulnerable, enhance legislation, national support mechanisms and monitoring frameworks allowing private sector to participate more actively in global efforts to address stroke.

National governments should support private sector participation in advancement of scientific research aimed at prevention, treatment and rehabilitation from stroke.

4. Combating Risks to Global Security

Managing Risks of Natural and Man-Made Disasters

Issue

Transformational shifts in economic, environmental, geopolitical, societal and technological systems offer unprecedented opportunities, however, the interconnections among them also imply new, systemic risks, with natural and man-made disasters among the most acute.

Research findings indicate the global risks are more costly, widespread and severe than often depicted. For three consecutive years from 2010 to 2012, direct economic losses from natural and man-made disasters soared past $100 billion annually, not including uninsured losses.[10]

Disasters pose risks to critical national infrastructure, directly impacting the lifeline of businesses. Over 90% of damage to these lifelines occurs in local disasters, especially affecting small and medium sized businesses. Most businesses in disaster prone cities note disruptions in power and water supply, and telecommunications as top concerns.[11]

For multinational companies, interconnectedness of global business and supply chains creates new vulnerabilities. The supply chains consist of thousands of companies, including many small and medium enterprises (SMEs) and are often located in developing countries where infrastructure is not well developed and vulnerable for natural disasters. While most big companies have established their business continuity management (BCM) strategies, many SMEs cannot afford to take measures for business continuity. Thus, disasters often have a long-term impact on business performance, competitiveness and sustainability.

The systemic nature of these risks calls for procedures and institutions that are globally coordinated yet locally flexible. Latest research highlights the interdependence of the public and private sectors in disaster risks reduction. The optimal solution is built on two pillars: preventive measures and public-private partnerships to cover large scale catastrophes.

Public-private partnerships in risk management and insurance of large scale catastrophes have proven their worth during several disasters, including the 2010 and 2011 earthquakes in Christchurch, New Zealand. Effective disaster risk management is becoming a basic requirement for competitive countries and cities to be successful in attracting business investment.

At the same time when damage occurs, extended insurance coverage may enable businesses to compensate for both direct loss as well as supply chain interruptions. Due to pricing as well as constrained availability of insurance, significant portion of damaged assets is currently uninsured, and private insurance companies are not able to cover losses caused by large-scale catastrophes. Public-private partnership is the most effective mechanism of insurance in case of large-scale disasters.[12]

Governments and business community should discuss the concepts of insurability and explore the potential reasons for lack of insurance, specifically in case of catastrophic environmental risks, as well as analyze the circumstances where state participation in insurance solutions can be justified.[13]

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[10] Global Assessment Report on Disaster Risk Reduction (GAR) 2013. http://www.preventionweb.net/english/hyogo/gar/2013/en/home/index.html.

[11] Global Assessment Report on Disaster Risk Reduction (GAR) 2013. http://www.preventionweb.net/english/hyogo/gar/2013/en/home/index.html.

[12] Russian Open Government Recommendations on Insurance. http://xn--80abeamcuufxbhgound0h9cl.xn--p1ai/expert_sovet/5509364/.

[13] Insurability of Catastrophe Risks and Government Participation in Insurance Solutions 2013. http://www.preventionweb.net/english/hyogo/gar/2013/en/bgdocs/Nguyen,%202012.pdf.

Recommendations

- Governments should establish or revitalize their national resilience strategies, including development and improvement of critical infrastructure related to business operation, innovation and utilization of advanced technologies like ICT for disaster management, enhancement of risk communication, and public and private sector alliance.
- Government agencies should ensure businesses are involved in the discussion and design of effective risk management at national, local and international level. Specifically, business community should be engaged in the dialogue of regulators and grid companies to ensure resilience of critical infrastructure (electricity as a start), and preventative measures to reduce the frequency and the severity of damages. In practice, this involvement should include:
  - Review of both preventative measures and response plans with the key businesses users of the infrastructure in question;
  - Understanding the current state of the infrastructure, potential interdependencies, and the role of business in the rapid response mechanisms.
- Governments and business should discuss the concepts of insurability and explore the reasons for lack of insurance, specifically in case of catastrophic environmental risks, including:
  - Modeling the impact of catastrophic risks, and analyzing circumstances in which state participation in insurance solutions can be justified
  - Potential models for government participation, e.g. state “backstop” for insurance claims related to catastrophic events.
- Governments should share information on disaster management and also help developing countries to improve their national resilience.
- Governments should guide and support SMEs in establishing their business continuity management (BCM) strategies, which contribute to strengthening business continuity throughout the supply chain.

Ensuring Resilience of Critical Energy Infrastructure

Issue

The well-functioning critical infrastructure is key to the economic prosperity of all countries.

The smart infrastructure, i.e. the rise in connectivity of all objects, set to grow from $4 billion in 2005 to $50 billion in 2020, increases the access and control, yet at the same time it increases risks pertaining to cyber-security. Global climate challenges and the rise of extreme weather conditions make infrastructures more vulnerable. Moreover, declining public investments in a sector that will need an estimated $57 trillion by 2030, make infrastructures more vulnerable to these rising challenges.

Our governments should act on these risks by establishing adequate governance to enable safety and resilient performance of key infrastructures, in particular energy infrastructures, and pave the way for easier private financing and normal business conduct under challenging circumstances.

Recommendations

The governments should adopt clear and structured paths of actions which will promote economically attractive and sustainable infrastructure development, minimize the investment risks and subsidize the key points of innovative growth.

In particular, the governments should:

- Develop a national strategy for governance of critical risks;

- Use available technologies to build risk anticipation capabilities and link them directly to decision-making;
- Kick-off the continuing public-private dialogue on the steps to address the challenges and risks to the energy infrastructure;
- Engage all interested parties and develop policy tools to create attractive business environment and positive investment climate;
- Monitor and strengthen core risk management capabilities including predictive technological tools;
- Create conditions for smart grid development;
- Raise awareness about exposure to critical risks to encourage a full society response that engages all stakeholders, and facilitate trans-boundary co-operation;
- Establish strategic crisis management capacities;
- Create adequate conditions and encourage businesses to take steps to ensure business continuity, with a focus on critical infrastructure operators.

Ensuring Long-Term Energy Security and Availability

Issue

Energy is vital for growth, economic development and well-being of people. Investments in energy production, distribution and consumption infrastructure are of high scale, returns are long and risks are high. That's why investors tend to prefer short-term investment into the financial market with quicker returns and lower risks. Energy industry performance has implications for climate, social dimensions, economy, security etc. and that is why sometimes it has strong negative perception from general public and lobbying groups and is an easy target for populist political statements. Accidents in energy industry, while rare, tend to be large-scale, and skew opinions and policy-making. Energy policy decisions are often based on unsubstantiated or unqualified opinions, supported by public alarmism - the recent example is a debate over environmental impact of nuclear energy and shale gas extraction. Large subsidies for deployment of new immature technologies can lock-up energy infrastructure in suboptimal configuration that would be obsolete in a few years.

Fiscal elements of energy regulatory environment often do not have the promised effect, but serve as a tool to redistribute resource revenue from producers to consuming countries' budgets and thus distort price signals, leading to booms and busts in energy investments. Carbon taxes may work as a type of trade barriers, while not providing enough incentives for carbon reduction.

Recommendations

- National governments should adopt policies based on substantive scientific evidence, when it comes to regulating energy industries, energy mix and safety requirements. Risk assessment and cost-benefit analysis, taking into account auxiliary effects of various technologies (such as land use, pollution from manufacturing and disposal of equipment etc.) should form the basis of such policies.
- Development of alternative energy sources should be augmented by development of new and maintenance of existing back-up energy facilities, with possible transition to capacity-based payments to backup facility providers to ensure proper returns on investments, and avoidance of supply disruptions and price spikes.
- Education programs for citizens and specialists should be launched so that there's less opportunism and vote-driven decision making.
- Energy consumption and carbon tax revenue should not be a part of general fiscal stream and should not be employed to balance budgets.

- Any subsidies for new technologies should not interfere with consumer choice, influence infrastructure investment decisions and distort energy markets. These subsidies should be aimed at developing, up-scaling and maturing technologies and their applications, which should then compete on an even footing in the marketplace with other offerings.

Countering Terrorism

Issue

Recent events demonstrate that a growing number of companies operate in the countries susceptible to terrorism, their property and personnel fall victims of domestic and international terrorist attacks, which bring along intimidation of civilian population, endanger safety of transport infrastructure, and often lead to massive loss of human lives. Taking hostages and carrying out terrorist attacks are increasingly used as a tool to achieve political aims by intimidating the state. Terrorism which targets the private sector, especially large companies operating in the extractive industries of certain developing countries, is a part of a terrorist challenge threatening international security. This challenge needs a joint response of the international community with participation of all affected stakeholders.

Cooperative and constructive dialogue between society and government agencies is a prerequisite in countering terrorism and violent extremism. Governments should provide an environment that allows different parts of society, including community leaders, media, non-governmental organizations (NGOs), and the private sector, to collaborate on this issue.[14]

Governments and business should combine their efforts to counter terrorism in a number of areas, including telecommunications and information security, Internet, tourism, safety of critical infrastructure, transport security, international trade supply chains, as was set within the Global Forum for Partnerships between Governments and Business to Counter Terrorism, launched at Russia's initiative in 2006.[15] Private sector should be engaged at all stages: eliminating the causes, countering acts and dealing with consequences of terrorist attacks.

Business is the main government's partner in the joint efforts on Anti-Money Laundering/Combating Financing of Terrorism (AML/CTF), including development and implementation of legislation and regulation. Engagement of business in AML/CTF is crucial to ensure that respective national regimes are not just technically compliant with international standards, but are also effective. At the same time it is important that this regulation doesn't create unnecessary burden affecting legal business processes. Russian Presidency in the Financial Action Task Force in 2013 and 2014 provides an additional opportunity in promoting this goal.

One of the practical outcomes of the Global Forum was the initiative on enhancing public private cooperation to counter illicit trafficking of raw precious metals as a means of funding organized crime. The project is aimed at designing and promoting an effective system of interaction and coordination between governmental institutions, law enforcement bodies and industrial companies to counter illicit trafficking in precious metals which has become a significant source of financing for organized crime and terrorist activities.

The shortcomings of global trade regulations complicate the process of differentiating between legal and criminal supplies of precious metals. Relevant regulatory regimes and law enforcement methods and mechanisms are fairly imperfect, providing criminals with numerous loopholes to dispose of stolen goods on legal markets and, thus, legitimize the proceeds of their criminal endeavors.[16]

[14] Ankara Memorandum on Good Practices for a Multi-Sectoral Approach to Countering Violent Extremism. http://thegctf.org/documents/10162/72352/13Sep19_Ankara+Memorandum.pdf.
[15] Strategy for Partnerships Between States and Business to Counter Terrorism 30 November 2006. http://en.old.g8russia.ru/page_work/32.html.
[16] Alexander Perelygin, Albert Selin, Vladimir Ivanov. Metal Fingerprint: Countering Illicit Trade in Precious Metals and Gemstones. Policy Paper 4/2008.

The International Platinum Group Metals Association (IPA) and world leading mining and refining companies supported this Project and joined the discussions on its practical implementation.

On 25 July 2013 the UN Economic and Social Council (ECOSOC) adopted the resolution on Combating transnational organized crime and its possible links to illicit trafficking in precious metals. The resolution was developed by the UN Commission on Crime Prevention and Criminal Justice (CCPCJ) at the initiative of the Russian metallurgical and mining company Norilsk Nickel, its South African partners with support of the Russian and South African Ministries of Foreign Affairs. It encourages member states to "take appropriate measures to prevent and combat illicit trafficking in precious metals by organized criminal groups, including, where appropriate, the adoption and effective implementation of necessary legislation". The ECOSOC invited the United Nations Interregional Crime and Justice Research Institute, with the support of the United Nations Office on Drugs and Crime, to "conduct a comprehensive study on the possible links between transnational organized crime, other criminal activities and illicit trafficking in precious metals". [17]

Recommendations

- Enhance cooperation between governments and business on ensuring infrastructure, especially transport, resilience to terrorist attacks.
- Hold a meeting of the Strategic Partnership of Governments and Businesses to Counter Terrorism in 2014 with a broad participation of officials and private sector representatives from a number of countries, including those suffering from terrorist attacks.
- Call on all United Nations member-states to sign and ratify the International Convention against the Taking of Hostages of 1979 that should be strictly implemented at the national and international level.[18]
- Support the study of links between transnational organized crime and illicit trafficking in precious metals conducted by the UN Interregional Crime and Justice Research Institute including by providing the examples of relevant national, regional and international legislation, regulatory standards, best practices, case studies and other relevant materials.

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http://mercury.ethz.ch/serviceengine/Files/ISN/90586/ipublicationdocument_singledocument/be2bb83e-0c07-4e14-9345-196801513325/en/2008-06-28_Metal-Fingerprint.pdf.

[17] Resolution adopted by the Economic and Social Council on 25 July 2013 '2013/38. Combating transnational organized crime and its possible links to illicit trafficking in precious metals'. https://www.unodc.org/documents/commissions/ECOSOC-Res-2010-20/ECOSOC-Res-Dec-2013/E_RES_2013_38.pdf.

[18] The Convention is not signed or signed but not ratified by 24 UN member-states including Angola, Burundi, Republic of the Congo, Democratic Republic of the Congo, East Timor, Eritrea, Gambia, Indonesia, Israel, Maldives, Namibia, Samoa, San Marino, Solomon Islands, Somalia, South Sudan, Syria, Tuvalu, Vanuatu, Zambia, Zimbabwe