Towards an Innovative, Invigorated,
Interconnected and Inclusive World Economy

B20 2016 POLICY RECOMMENDATIONS TO THE G20

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Key messages from B20 2016 to the G20

The global economy is in the midst of important transformations with both opportunities and challenges. Growth remains modest and uneven. Downside risks and uncertainties persist. These need to be addressed through the joint efforts of the public and private sectors.

Last year the G20 reaffirmed its ambition to lift collective G20 GDP by an additional 2 percent by 2018, as agreed at the 2014 Brisbane Summit. The Antalya Action Plan contained adjusted growth strategies and implementation schedules, and the B20 continues to strongly encourage the G20 to take vigorous and consistent action in line with those plans and commitments.

Although some countries show signs of improving conditions, and efforts continue to advance economic coordination internationally, many countries are suffering from a series of unfavorable factors as well as weak growth. There are opportunities for more initiatives to boost confidence, provide a new impetus to the growth of individual countries, and energize the global economy.

Therefore, this year the G20 has committed to the theme and vision "Towards an **innovative, invigorated, interconnected**, and **inclusive** world economy." To achieve this, the G20 must use all policy tools—monetary, fiscal, and structural—individually and collectively.

B20 2016 endorses this approach and has considered the G20's theme and vision through five taskforces—Employment, Financing Growth, Infrastructure, SME Development, Trade and Investment—and a special forum on Anti-Corruption. The results are the 20 principal recommendations to the G20 discussed in this paper.[1]

This document comprises four sections:

1. A summary of the 20 principal B20 2016 recommendations
2. Three proposals for developing G20-B20 public-private partnerships
3. A discussion of the B20's principal recommendations and its proposals for specific actions to implement them
4. A summary of the B20 2016 leadership, taskforces, and process

The B20 2016 recommendations, consistent with the G20's focus, concentrate primarily on structural measures that will:

- Break a new path for global economic growth—by encouraging entrepreneurship and innovation, developing transparent infrastructure pipelines, enhancing the role of the multilateral development banks in infrastructure finance, facilitating markets for green financing and investment, and promoting financial inclusion through digital technology
- Develop more effective and efficient global economic and financial governance—by optimizing global financial regulations, facilitating the access of small- and medium-sized enterprises (SMEs) to finance, adopting consistent and aligned tax policies, strengthening intergovernmental cooperation against corruption, and promoting a more transparent business environment to foster competition

[1] The individual taskforce reports and the anticorruption forum report are available at the B20 2016 website, http://en.b20-china.org.

- Encourage robust international trade and investment—by strengthening the multilateral trading system and rolling back protectionist measures, ratifying and implementing the Trade Facilitation Agreement, enabling the e-commerce environment through support of the Electronic World Trade Platform (eWTP) initiative, backing actions to facilitate SMEs' inclusion in global value chains, and enhancing the global investment policy environment

- Promote inclusive and interconnected development—by removing structural impediments that lower the participation rates of young people and women in the labor force, developing programs to reduce mismatches between available and needed skills, improving the regulatory environment to support SME growth, promoting innovative approaches to future infrastructure, and building infrastructure interconnectivity across all sectors

The B20 believes the B20 2016 policy recommendations to the G20 are practicable, specific, and actionable responses to today's challenges to sustainable global economic growth, creation of quality jobs, and inclusiveness.

By addressing these recommendations, the G20 will forge an environment that helps the international business community to trade and invest, develop new business models, and create new jobs. All of this is critical to achieving the G20's objective of building an **innovative, invigorated, interconnected,** and **inclusive** world economy and of ensuring strong, sustainable, and balanced growth.

Jiang Zengwei
B20 2016 Chair
Beijing, July 2016

Summary of B20 2016 recommendations to the G20

The B20 strongly encourages the G20 leaders to implement existing and new commitments–specifically, structural reforms–to build an **innovative, invigorated, interconnected,** and **inclusive** world economy and to ensure strong, sustainable, and balanced growth. In addition, G20 members should:

Break a new path for global economic growth by:

1. Implementing programs such as the SMART innovation initiative[2] to encourage entrepreneurship and innovation
2. Accelerating the pipeline of high-quality bankable projects and promoting the creation of financial instruments to facilitate infrastructure investment
3. Enhancing the catalytic role of multilateral development banks (MDBs) and institutions in enabling private-sector infrastructure investment
4. Facilitating the development of green financing and investment markets
5. Stimulating financial inclusion by embracing digital technology innovation

Develop more effective and efficient global economic and financial governance by:

6. Optimizing global financial regulations to support growth
7. Facilitating the access of small-and medium-sized enterprises (SMEs) to bank financing and alternative funding
8. Adopting consistent and aligned tax policies to drive inclusive growth
9. Strengthening intergovernmental cooperation against corruption, and supporting the building of capacity for stronger anti-corruption compliance
10. Promoting a more transparent environment for business in order to bolster competition

Encourage robust international trade and investment by:

11. Strengthening the multilateral trading system and eliminating new protectionist measures while rolling back existing measures to enable trade growth
12. Ratifying the Trade Facilitation Agreement (TFA) by the end of 2016 and committing to rapid implementation
13. Endorsing the concept of the Electronic World Trade Platform (eWTP) to incubate cross-border electronic trade (e-trade) rules and aid e-trade development
14. Developing coordinated capacity-building and certification programs to ease the inclusion of SMEs into global value chains (GVCs)
15. Enhancing the global investment policy environment in order to boost investment

[2] SMART–Sustainable innovation, Massive public platform, Accessible network, Revolutionary reform, and Technological innovation.

Promote inclusive and interconnected development by:

16. Removing structural barriers to increase youth employment, and implementing initiatives to raise the participation rate of women in the labor force
17. Enacting policies to assess and reduce skill mismatches and capability gaps in the workforce
18. Lowering compliance costs and improving access to public procurement markets in order to support SME growth
19. Enabling and promoting innovative technologies and best-practice asset management that support whole-project life-cycle productivity of infrastructure projects
20. Strengthening or establishing national, regional, and global initiatives to enhance infrastructure interconnectivity

G20-B20 public-private partnerships to facilitate outcomes

G20 SMART innovation initiative

The B20 proposes that the G20 adopts the SMART innovation initiative, which consists of an open network of governments, the private sector, universities, and research institutes that share resources, knowledge, and achievements with the goal of promoting technological innovation to accelerate global economic development and employment. The SMART innovation initiative has five guiding principles: **S**ustainable innovation, **M**assive public platform, **A**ccessible network, **R**evolutionary reform, and **T**echnological innovation. The SMART initiative would strengthen cultural and educational exchanges among G20 countries, develop multilateral long-term visa and fast-track clearance for innovators and entrepreneurs within G20 countries, establish G20 funds to promote technological innovation, and build a G20 platform for the sharing of cutting-edge technology as well as a G20 brain platform.

Electronic World Trade Platform (eWTP) initiative

The B20 has recommended that the G20 endorses the concept of the eWTP as a private sector-led and all stakeholder initiative for public-private dialogue to incubate e-trade rules and foster a more effective and efficient policy and business environment for cross-border e-trade development. Following that endorsement, the B20 proposes to formally establish the eWTP as an open, transparent, not-for-profit platform. It will coordinate input from and work with all key stakeholders—including the relevant SME-focused and trade-focused international organizations, governments, and constituencies—in order to assess and advocate conditions, and incubate rules for developing cross-border e-trade, including both B2B and B2C.

Global Infrastructure Connectivity Alliance initiative

The B20 welcomes and supports the proposed launch of the Global Infrastructure Connectivity Alliance initiative (the Alliance) by the G20.[3] Interconnecting transnational infrastructure will be critically important for future global trade and growth. Accordingly, the B20 requests that the G20 formally includes the B20 as a participant with G20 members in the Alliance. In addition, the B20 encourages the G20 to direct the Alliance to develop credible means of implementing and funding such transnational programs across all sectors. In particular, the Alliance should expand and build on existing programs, such as China's Belt & Road, Africa's Program for Infrastructure Development (PIDA), the European Union's Trans-European Transport Network (TEN-T), and the Central American Electrical Interconnection System (SIEPAC). The Alliance should also explore the potential impact and feasibility of the setup of new sectoral or regional initiatives, such as the Global Energy Interconnection (GEI).

[3] G20 Finance Ministers and Central Bank Governors Meeting Communiqué, February 26–27, 2016, paragraph 4.

B20 2016 recommendations

The B20 strongly endorses the G20 theme and vision for 2016.

By promoting **innovation** and investment in science and technology, and establishing new commercial concepts and business models, the public and private sectors can develop new ways for both institutions and operations to grow and drive increases in productivity while **invigorating** the world economy.

Global economic and financial governance and appropriate coordination of **interconnectivity** have not kept up with the increasing prevalence of global business operations. The multilateral trading system is advancing slowly, a truly global investment mechanism is not yet established, and the gaps in infrastructure connectivity are still sizable.

Enhancing the role of SMEs, women, and young people in business growth—including their participation in GVCs and economic globalization—is essential to **inclusive** and sustainable worldwide growth.

The B20 2016 recommendations that follow are practicable, specific, and actionable responses to today's challenges to global economic growth, creation of quality jobs, and inclusiveness. They will promote strong, sustainable, and balanced growth.

Break a new path for global economic growth

The B20 agrees with the G20 that global growth remains modest and uneven, and that downside risks and uncertainties persist. Accordingly, the B20 strongly backs G20 initiatives to identify and support new approaches to existing growth initiatives as well as new sources of growth.

Encouraging innovation and entrepreneurship

Automation, digitalization, and globalization continue to disrupt industries and markets; they have created opportunities for entrepreneurs and businesses to innovate and grow. But inefficient regulation that increases costs and bureaucracy and complicates business continues to hinder entrepreneurial enterprises and innovation around the world.

The G20 can promote entrepreneurship and innovation by reforming labor, business, and mobility laws; increasing mobility and the flow of talent; and providing national-level support. The B20 welcomes the proposed G20 Entrepreneurship Action Plan, as it contains a number of critical measures to address these issues.

G20 members should carry out the G20 Entrepreneurship Action Plan and work together to remove structural barriers that discourage entrepreneurship and innovation. In particular, the G20 should encourage individual member countries to implement support mechanisms nationally to help entrepreneurs innovate, grow businesses, and stimulate job growth.

Reforming inefficient regulations and putting into action support mechanisms to advance entrepreneurship and innovation will allow new technology-enabled, capability-driven job-creation models to develop.

Recommendation 1: The G20 should develop and conduct programs to encourage entrepreneurship and innovation by:

1.1 Implementing a G20 SMART innovation initiative that promotes technological innovation

1.2 Executing structural reforms to reduce costs, bureaucracy, and business disruption in order to stimulate entrepreneurship

1.3 Supporting and developing finance systems that ease a business's transition from entrepreneurship to SME status

1.4 Effecting programs that spur innovation, such as national or global sponsorship of innovation challenges, R&D investment in priority sectors, ecosystem enablement, and business-connected education curricula

Accelerating infrastructure development

The G20 has focused on infrastructure as a critical growth lever since 2011. It has identified a series of actions to improve the quality of investment planning and project preparation, facilitate standardized contracting and structuring, make long-term sources of capital possible, and support public institutions' long-term capacity-building efforts. With the creation of the Global Infrastructure Hub (GIH) in 2014, the G20 moved from identifying actions to taking significant steps to increase the flow and quality of infrastructure investment opportunities in both G20 and non-G20 countries.

Still, there is more to be done. The World Economic Forum (WEF) estimates that global investment in infrastructure is approximately a trillion dollars less per year than what is needed to satisfy the demand by 2030.

The central challenge facing G20 governments is the development of enough "bankable" projects. Although the project pipeline has been strengthened in some developed countries, the supply of bankable greenfield projects remains limited in emerging and developing nations. This is because many of these countries do not have a track record of building a credible enabling environment and routinely administering, preparing, and delivering projects reliably.

Further, G20 countries and emerging-market nations cannot meet infrastructure needs using public funding alone. Overcoming this investment deficit requires that private investment and know-how be coupled with public-sector funding and multilateral institution support. Private financing—particularly the ability and willingness of private debt and equity providers to take direct exposure to infrastructure assets—is crucial.

Recommendation 2: The G20 should increase and accelerate the pipeline of high-quality bankable projects and formulate conducive regulations, deploy asset-monetization strategies, and promote the creation of financial instruments necessary to unlock long-term investments in infrastructure by:

2.1 Developing a coherent, long-term infrastructure vision and plan on the basis of an objective, rigorous assessment and prioritization of projects

2.2 Streamlining, standardizing, and speeding project preparation and procurement processes to de-risk and bring projects to market more quickly

2.3 Evaluating the potential and feasibility of all possible revenue sources—for instance, user charges, land value capture, and ancillary businesses—during project preparation

2.4 Developing bankable public-private partnerships (PPPs) and other private-participation models that follow international best-practice standards, with well-balanced risk allocation and adequate protections for long-term investors, particularly against political and regulatory risk

2.5 Enhancing public capabilities, establishing central knowledge hubs, and working out a standardized project-development framework as a guideline to increase and accelerate project pipelines. These can be achieved by drawing on expertise from MDBs, the GIH, the Organization for Economic Co-operation and Development (OECD), and G20 members.

2.6 Improving investment climates and removing unnecessary barriers to infrastructure investment in capital markets and to prudential regulations

2.7 Encouraging development of systematic asset-monetization plans for bankable brownfield assets and subsequent reinvestment of proceeds into greenfield assets, in order to expand investment opportunities for long-term investors and improve the market liquidity of the asset class

2.8 Enabling development of financial instruments that further both debt and equity participation in greenfield infrastructure projects—for example, by creating a global insurance pool for infrastructure investments

MDBs to catalyze private investment in infrastructure

The B20 welcomes the February and April 2016 comments of the G20 Finance Ministers and the Central Bank Governors stating that MDBs have a "historic opportunity" to increase their scope and the depth of cofinancing and cooperation. Yet, because of historically independent internal practices, MDBs face some challenges in fully cofinancing infrastructure projects that they do not face with parallel financing.

The MDBs have an opportunity to increase the amount of private investment made available by revising their operations. Currently, MDBs' leveraging of private investment for infrastructure relies mainly on the use of a specific contingent-financing instrument (guarantees) in greenfield projects, particularly in the energy sector. Expanding the use of guarantees to additional sectors and regions is a top priority for MDB policy makers, as is developing new, innovative contingent-financing tools to increase ("crowd in") private investment.

Recommendation 3: The G20 should enhance the catalytic role of MDBs and institutions in enabling private investment in infrastructure by:

3.1 Directing MDBs to coordinate and cooperate more widely and deeply, particularly in areas like cofinancing and technical assistance, and providing more support for governments to develop bankable projects

3.2 Encouraging MDBs to focus more on crowding in private-sector financing by developing and supporting innovative financial instruments—for example, raising the volume and coverage of guarantees, creating new contingent-financing instruments, and coinvesting with private investors

Developing markets for green investment

The 2015 Paris Agreement commitment to meet the 1.5°C climate target requires significant reductions in carbon emissions, with very substantial investment mobilized into the renewable-energy sector and financing of energy efficiency. Environmental cleanup and protection also require significant global investment. The gap in clean energy alone will be around $500 billion by 2020.

Along with rising concern about climate change and environmental issues, the green finance market has emerged rapidly around the world, driven by policy objectives and business innovations. But the transition of funds from assets that deplete natural resources to those in the green sector is slow for a number of reasons, including misplacement of incentives and a lack of institutional capacity, understanding, and standards on green finance.

The G20 has recognized the pressing environmental challenges and the importance of mobilizing green finance. The B20 welcomes the establishment of the G20 Green Finance Study Group and the progress it has made in identifying challenges to the marshaling of private capital for green investment. It is now necessary to address those challenges by implementing specific policy responses.

Recommendation 4: The G20 should facilitate the development of green financing and investment markets by:

4.1 Designing incentives for, and lowering the financing costs of, green investments

4.2 Establishing green standards and encouraging disclosure and reporting on the impact of investments

4.3 Building institutional capacity and knowledge through a G20 international platform

4.4 Encouraging or rewarding financial institutions that take actions to measure climate, environmental, and social risks

Digital technologies supporting financial inclusion

Financial inclusion has been recognized by the G20 as one of the main pillars of global development since the 2009 Pittsburgh Summit, when the G20 Financial Inclusion Experts Group was launched to help identify new ways to provide financial services to different groups. In 2010, the Seoul Summit endorsed The Global Partnership for Financial Inclusion and a concrete Financial Inclusion Action Plan, which was updated in 2014, to meet the challenge of promoting access to finance for individuals and businesses.

The action plan has made strong progress, but more needs to be done. According to the World Bank Group (WBG), more than 2.5 billion adults—about half of the world's adult population—do not have bank accounts.[4]

Although some of these people exhibit no demand for accounts, more are excluded because of barriers like cost, travel distance, amount of paperwork, and inadequate understanding of financial services.

In an era of advanced digital technologies, continuous innovation can make financial services available to less-privileged people and those in less-developed regions, especially when those advanced technologies are applied to areas related to credit databases, financial literacy, consumer protection, mobile finance, and microfinancing. The B20 proposes that the G20 governments provide macro guidance and policy support to financial institutions to encourage them to embrace digital technologies.

Recommendation 5: The G20 should stimulate financial inclusion by embracing digital technology innovation by:

5.1 Utilizing digital technology to advocate for financial literacy and protect individual consumers

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[4] *Global Financial Development Report 2014, Financial Inclusion.*

5.2 Making financial services easier for less-privileged people to access through mobile money

5.3 Leveraging mutual insurance and microinsurance to protect less-privileged people

5.4 Coordinating credit databases and introducing advanced technology to support financial inclusion

5.5 Improving regulatory governance of alternative finance

Develop more effective and efficient global economic and financial governance

The B20 believes that inefficient regulation and overregulation of business, as well as poor or ineffective coordination of economic policy and financial governance worldwide, has worsened global financial flows, trade, and investment.

Optimizing global financial regulation

Global financial regulatory reforms enacted since the Washington Summit in 2008 have achieved most of the initial objectives, such as building more-resilient financial institutions, ending too-big-to-fail moral hazards, and making derivatives markets safer. To enhance the stability and resilience of the global financial system, the G20 needs to continue the reforms, applying standards and rules already agreed on and furthering the work of setting new standards.

As the global economic recovery slows, however, it is also important to reevaluate the postcrisis financial regulations, particularly on lessons learned during implementation. The credit squeeze in trade finance, SME lending, and lending to other underserved sectors, and the decline in the depth of market liquidity, are becoming impediments to economic growth.

Recommendation 6: The G20 should optimize global financial regulations to support growth by:

6.1 Reassessing the impact of recent and planned financial rules on the global economy, and conducting independent cost-benefit analysis on new global and liquidity standards, especially on trade finance, SME lending, market liquidity, and insurance regulations

6.2 Adopting a more comprehensive and principles-based process for cross-border financial regulatory consultation, in order to improve regulatory coherence

6.3 Promoting global financial market integration and open access

Improving SME access to funding

Access to finance has been one of the major challenges for the development and growth of SMEs. Scarce and expensive finance for SMEs can to a large extent be attributed to the information gap about SMEs and—whether real or perceived—an unfavorable global financial and banking regulatory framework that favors stability over greater lending to SMEs.

Debt financing for SMEs and entrepreneurs remains constrained in most countries, entailing higher interest rates, shorter loan tenures, and tougher collateral requirements. According to the International Finance Corporation (IFC), total unmet demand for microcredit and SME credit worldwide is estimated at about $3.2 trillion to $3.9 trillion.

Additionally, analysis by the Asian Development Bank, the IFC, and others suggests a significant shortfall in trade finance around the world, with unmet demand estimated to be roughly $1.1 trillion annually, the majority of it in Asia and much of it affecting SMEs and developing economies.

Overall, higher risks of default, absence of credit information and data, and a deficit of adequate assets as credit guarantees restrain financial institutions from serving the finance needs of SMEs. SMEs' lack of access to finance is worse in developing economies: less-sophisticated financial systems, less-mature credit assessment systems, and financial institutions' greater focus on serving large companies.

Therefore, a strong need exists for an SME-specific assessment of the unintended consequences of global financial regulatory measures since the crisis.

Alternative sources of finance—for example, equity funding—are still limited and volatile and vary considerably from country to country. Except in a few countries such as the US, the market is not providing the scale of equity investment needed to support development of the SME sector. For SMEs, raising equity capital may be significantly more expensive than obtaining debt financing. Also, SMEs often face underpricing in capital markets. This often results in them being undercapitalized.

Recommendation 7: The G20 should facilitate SMEs' access to bank finance and alternative funding by:

7.1 Asking relevant international organizations to evaluate the impact that existing and proposed financial regulations have on lending to SMEs and on the efficiency of credit reporting, scoring, and rating systems, then to report the findings at the Basel Committee on Banking Supervision and the G20 2017 Summit in Germany

7.2 Facilitating development of equity-based financing mechanisms for SMEs—such as support for business angels, seed capital, and venture capital—and encouraging small-cap exchange

7.3 Facilitating development of nonbank finance for SMEs, including FinTech, targeted trade, and supply chain financing. The G20 should ask the WBG, MDBs, development finance institutions, and others to help establish a framework for nonbank finance specifically for SMEs, in consultation with the B20

Supporting growth with consistent, aligned taxation systems

Tax is an important consideration in cross-border transactions, especially with respect to infrastructure and investment. It can play a favorable role as a catalyst to encourage debt financing and equity investment for inclusive growth. Noting that tax can also be an impediment, however, the B20 suggests that G20 countries work together to ensure that tax systems do not act as unnecessary barriers or inhibitors to growth and thus lead to a misallocation of financing or investment resources.

The B20 suggests that governments consider using tax as a tool to support growth and encourage institutional investment, particularly in relation to long-term infrastructure projects.

Recommendation 8: The G20 should explore the means by which tax systems can be used to drive inclusive growth by:

8.1 Adopting tax policies that support cross-border debt financing and equity investment

8.2 Ensure that the tax policies in the implementation of the BEPS project are consistent and aligned between the developed countries and the developing countries

8.3 Enacting tax policies that benefit both tax authorities and taxpayers because they engender heightened cooperation, coordination, and exchange of information among tax authorities

Eliminating corruption

Corruption is a major barrier to economic growth worldwide, with both government and businesses recognizing the negative impact on efficiency and fair competition. The vast majority of companies are seeking new ways to secure sustainable, and ethical growth.

With regulatory enforcement becoming more robust in many jurisdictions, and international cooperation growing among law enforcement agencies, businesses around the world are becoming increasingly aware of the corruption issues. In addition, greater transparency in beneficial ownership, public procurement, and customs—supported by sophisticated digital platforms and more accessible data—can help create more vigorous corporate competition and contribute to economic development.

Recommendation 9: The G20 should strengthen intergovernmental cooperation against corruption, and support the building of capacity for stronger anti-corruption compliance by:

9.1 Advocating greater collaboration among nations in enforcement of anti-corruption laws, including those that have been adopted in accordance with international conventions and related G20 High-Level Principles

9.2 Continuing to encourage dialogue between government and business in an effort to promote better understanding of best anti-corruption practices in both the public and private sectors

9.3 Bolstering incentives for companies to build best-practice compliance programs and report their own compliance breaches

9.4 Supplying companies—SMEs in particular—with training programs and toolkits to identify and manage third-party risk and compliance

Recommendation 10: The G20 should promote a more transparent environment for business in order to bolster competition by:

10.1 Working with them to urge beneficial ownership transparency and ensure better adherence in the private sector to new policies and regulations

10.2 Advancing integrity in public procurement by adopting transparent e-procurement systems and encouraging best practices in effective compliance programs

10.3 Supporting transparent electronic pilot programs for customs clearance so as to reduce the risk of corruption and promote trade

10.4 Ensuring that laws to protect whistleblowers are in place and effective, and considering the introduction of provisions to reward whistleblowers for reporting corruption and other wrongdoing

Encourage robust international trade and investment

Trade and investment are key to global economic growth.

However, both are continuing to slow significantly as the world economy struggles. In 2015, global trade grew by only 2 percent. The past five decades have contained only five other years in which trade growth was 2 percent or less, all of these coinciding with a marked downturn in global growth. In addition, G20 and global levels of foreign direct investment (FDI) have stagnated since 2011 even though developing countries still face an annual investment gap of around $2.5 trillion for basic infrastructure, food security, climate change mitigation and adaptation, health, and education.

Strengthening the multilateral trading system and stopping protectionism

In prior years, the G20 has consistently committed to maintaining a strong and efficient multilateral trading system, reinforcing trade growth, and stopping and rolling back protectionist measures. Since 2014, prompt ratification and implementation of the TFA has been a priority goal. Yet new protectionist measures continue to be generated, and TFA ratification has not yet met the threshold levels required for the TFA to come into effect.

Recommendation 11: The G20 should continue to strengthen the multilateral trading system, and stop the imposition of new protectionist measures while rolling back existing ones to enable trade growth by:

- 11.1 Formalizing the role of trade ministerial meetings in the G20 process, ensuring that ministerial determinations are clearly communicated, and including regular B20 engagement in those meetings
- 11.2 Proposing a work program to the World Trade Organization (WTO) that includes forming a roadmap for the remaining Doha issues, as well as possible discussions on new trade-related issues like e-commerce, investment, SMEs, and GVCs
- 11.3 Requesting independent reviews from a group of staff experts from the WTO and relevant international organizations. The reviews would compare major regional trade agreements for commonality and provisions that might invite larger plurilateral acceptance, increase the transparency of free trade agreements, and impact nonmember countries' trade and investment
- 11.4 Encouraging the International Monetary Fund (IMF) and the WTO to jointly develop a plan that would sharply increase the availability of export finance to developing countries. The plan should set a numerical target and engage MDBs as well as private banks
- 11.5 Renewing commitments to stop the imposition of new WTO-inconsistent protectionist measures and roll back existing ones

Recommendation 12: The G20 should ratify the TFA by the end of 2016 and commit to rapid implementation, with G20 members leading the way and encouraging all WTO members. Specifically, the G20 should:

- 12.1 Ratify the TFA by the end of 2016 and urge all other WTO members to do the same
- 12.2 Adopt clear implementation roadmaps prioritizing the introduction of "single window," "authorized operators," and "digitalization of customs processes." As part of these roadmaps, the G20 members should work with the private sector

to promote further cooperation on global data standards and their wider use within cross-border trade processes. In addition, the G20 should encourage the WTO Committee on Trade Facilitation (to be established once the TFA becomes binding under WTO law) to track and oversee individual countries' TFA implementation levels

12.3 Encourage its members to continue—and even augment—their efforts to give technical assistance to WTO members who are having difficulty putting the TFA into effect, and encourage international organizations (for example, MDBs and the International Trade Center (ITC)) to strengthen their support to developing countries that are implementing the TFA

12.4 Promote broad business representation in national trade facilitation committees

Endorsing the eWTP for public-private dialogue on e-trade

SMEs' share of exports remains disproportionately smaller than their contribution to GDP. Bottlenecks hindering SMEs' access to markets include limited paths to information and communication channels; hurdles in complying with international labor and environmental, social, and quality standards; and issues in gaining awareness, visibility, and trust with prospective customers.

Conventional cross-border trade relies on a number of intermediaries throughout the value chain, with each process of the chain—for example, sourcing, distribution, logistics, customs, and payment—economically efficient for large transactions. Thus there is a prohibitively high threshold of entry for SMEs, given the cost of small transactions and the typical size of SME cross-border trade.

Cross-border e-trade is proving to be a game changer for SMEs when it comes to participating in GVCs. It creates direct access to international customers, as well as highly efficient digital flows of products, data, and money. According to the ***Global Cross Border B2C e-Trade Market Report*** jointly published by Accenture and the Alibaba Group, the value of the global cross-border B2C market will grow from $230 billion in 2014 to $994 billion in 2020, accounting for 29.3 percent of the global B2C e-trade market and 13.9 percent of the global consumer goods trade. The compounded growth rate for cross-border e-trade is projected to be 27.3 percent from 2014 to 2020, twice that of the national e-trade market and more than three times the growth of the global consumer goods trade.

A number of measures can boost the unfolding of cross-border e-trade. These range from building and enhancing infrastructure, especially in developing economies (including systems for information and communications technology, such as broadband access and logistics infrastructure and services) to nurturing favorable and harmonized regulatory environments (for instance, in customs, taxation, contract laws, consumer protection, rules for e-payment, and express logistics). Yet there is no single institution or forum that allows for diverse public and private constituencies to consult on and coordinate the formulation of approaches to, and rules for, e-trade.

Recommendation 13: The G20 should endorse the concept of the Electronic World Trade Platform (eWTP)—an all stakeholder initiative led by the private sector—as a vehicle for public-private dialogue that can incubate the rules to foster the right policy and business environment for cross-border e-trade development. The eWTP should:

13.1 Promote public-private dialogue to improve the business environment and nurture future rules for cross-border e-trade in some important areas, including simplification of regulations and standards, and harmonization of taxation

13.2 Cooperate with international organizations, such as the WTO, to prioritize e-trade development needs and enhance e-trade articles in the TFA

13.3 Aim to expedite the use of e-trade and the digital economy through the construction of e-trade infrastructure and the adoption of best practices—such as building cross-border e-trade experiment zones—to solve outstanding issues facing SMEs, especially in developing countries

Enhancing SMEs' ability to participate in GVCs

SMEs are frequently not aware of international, regional, or even national standards. Also, they lack the capacity and resources to apply them: the ITC report ***SME Competitiveness Outlook 2015*** shows that the ability to conform to standards is the most important trade issue hindering SMEs' access to GVCs, especially for SMEs in emerging economies.

Although the ability to conform to standards and certifications is growing, and several international and nongovernmental organizations have been actively supporting SMEs' capacity building, certification, and accreditation to facilitate their links to GVCs, accreditation remains a major challenge for SMEs. Notwithstanding initiatives and programs by the WBG, the OECD, the ITC, the World SME Forum (WSF), and the International Chamber of Commerce (ICC), what has been missing are coordinated technical initiatives and funding to accelerate these efforts.

Recommendation 14: The G20 should develop coordinated programs for capacity building and certification to ease the inclusion of SMEs into GVCs by:

14.1 Setting ambitious targets for their admittance to regional and global value chains and regularly reporting on performance

14.2 Cooperating with the WBG, OECD, ITC, UNIDO, and other relevant stakeholders such as the WSF to better coordinate capacity-building initiatives and priorities and step up funding for such programs

Facilitating global investment

Global FDI flows have not returned to pre-crisis levels and remain volatile, signaling a bumpy road to recovery. A primary factor is the multiplicity of international investment agreements (IIAs). To date, there are around 3,300 IIAs; G20 members have entered into approximately 45 percent of these.

Such a multiplicity of agreements raises transaction costs for businesses and creates barriers to economic activity. Yet some countries are not covered, and some 14,000 additional agreements would be needed to encompass all international investment relationships. The complexity of the current regime and the overlapping sets of rules generate substantial costs for business.

Recommendation 15: The G20 should work toward a better global investment-policy environment that facilitates and appropriately protects investment by:

15.1 Developing clear and transparent guiding principles on investment policymaking and promoting their application nationally, regionally, and multilaterally. The G20 can draw on existing proposals[5] while maintaining the standards of protection

[5] Including the United Nations Conference on Trade and Development's (UNCTAD's) Investment Policy Framework for Sustainable Development, the OECD's Policy Framework for Investment, and the WEF's E15 Initiative policy recommendations on investment.

reflected in current IIAs. In addition, the G20 should encourage the WTO Working Group on the Relationship Between Trade and Investment to resume exploration of options for strengthening global trade and investment rule coherence

15.2 Adopting an international investment-facilitation action plan with concrete and transparent policy options, measures, and implementation tracking to boost cross-border investment. The G20 should also promote this plan to non-G20 members, advocating for it to be executed with technical assistance from the United Nations Conference on Trade and Development (UNCTAD) and the WBG

15.3 Inviting the UNCTAD, the OECD, and the WTO—in consultation with the International Center for Settlement of Investment Disputes, the United Nations Commission on International Trade Law, the ICC, and the WEF—to evaluate ways to establish a more effective standard that can be universally applied to settle investment disputes

Promoting inclusive and interconnected development

The B20 supports G20 initiatives for inclusive development. Addressing unemployment (particularly among young people and women), the environment for SMEs, and interconnectivity is key to enabling greater inclusiveness.

Removing structural impediments to increase the participation rates of youths and women in the labor force

G20 leaders have recognized that more must be done to decrease unemployment, raise labor force participation, and create quality jobs so as to ensure the G20's goal of sustainable economic and financial development. In 2014 and 2015, the G20 acted on this recognition by pledging to reach two concrete goals proposed by G20 engagement groups.

In 2014, the G20 pledged to reduce the gap in labor participation rates between men and women—by 25 percent by 2025. In 2015 the G20 agreed to the goal of reducing the share of young people who are most at risk of being permanently left behind in the labor market—by 15 percent by 2025.

In 2015, the number of unemployed people worldwide reached 197.1 million, an increase of 1 million from 2014 and 27 million above the pre-global-financial-crisis level. The current rate of youths not in education, employment, or training ranges from 10 percent to well over 30 percent in G20 countries, and has been rising in several G20 countries for the past few years. The global participation rate of women in the labor force in 2014 was 50 percent, as opposed to 82 percent for men. These data illustrate the employment challenges facing G20 countries, and the trend is not expected to improve for the next few years. Global unemployment is expected to go up by 2.3 million in 2016, and another 1.1 million in 2017.

To effectively tackle employment issues, G20 governments need to acknowledge and understand three global trends affecting labor markets: (1) Traditional jobs are changing because of globalization, automation, and the use of digital technologies. Governments need to adjust regulations so that they promote a flexible and competitive environment in which businesses can succeed and employment grows in this new era of technology and global markets. (2) Countries around the world are underutilizing women and young people in the labor force. Governments should work to include these demographics in the labor force and take advantage of their talents. (3) Technological disruption in the workplace has led to a mismatch between the skills and resources required by business and the skills and resources available in the labor markets.

Accordingly, governments need to undertake a thorough assessment of the skill gap and implement programs to reduce these mismatches and promote skill development. The B20 recognizes and supports the G20 Quality Apprenticeships initiative as important elements in addressing vocational training and youth employment.

Recommendation 16: The G20 should remove structural barriers and institute support systems to help more young people participate in the employment market, and should implement and encourage initiatives to bring more women into the labor force by:

16.1 Reducing red tape and restrictions on various forms of contractual arrangements—such as part-time, flexible-hour, and temporary contracts—to give businesses incentives to hire youths and facilitate transition from informal to formal employment

16.2 Aligning vocational and trade school curricula with the business environment, and establishing apprenticeships, internships, and work-integrated learning programs in cooperation with business and the education system

16.3 Establishing investment zones in low-income areas, with prerequisites for skill building and local employment

16.4 Promoting ways to increase access to employment, remove bias, and ensure equal pay for women in the labor force

16.5 Encouraging more entrepreneurship among women by providing incentives and measurements for funding women-run start-ups

16.6 Encouraging the mentoring of women, as well as their advancement into senior leadership roles in the private sector

16.7 Providing or fostering support mechanisms for family care, flexible roles in the workplace, and career transitions in order to retain women in the workforce

16.8 Establishing ways to report clearly on participation by young people and women in the labor force

Addressing mismatches of skills in labor markets

According to the OECD, roughly one-third of all workers in OECD countries are either underskilled or overskilled for their jobs. Automation and digital technologies have been making once-common manufacturing jobs obsolete, reducing the number of medium-skill jobs. On the other hand, technological innovation is increasing the need for highly skilled jobs in the fast-growing new-economy sectors. According to a recent survey, 38 percent of global employers are finding it difficult to fill jobs. Lack of technical competency is highlighted as a major reason for this.[6]

Recommendation 17: The G20 should enact policies to assess and reduce the skill mismatches and capability gap in the workforce by:

17.1 Evaluating the full impact of workforce changes that are due to technological

[6] Manpower Group (2015), *Talent Shortage Survey.*

innovation—including effect on participation rate, underemployment among workers, skill disparities, sector obsolescence, and sector growth

17.2 Providing targeted social support and retraining for displaced workers, through certified programs

17.3 Ensuring that education systems and vocational training programs develop skills required in the modern business environment

17.4 Increasing workers' mobility and the flow of talent in order to accommodate business needs

Improving the regulatory environment so that SMEs can grow

Throughout their life cycle of start, growth, and liquidation, SMEs need to interact with different regulatory authorities. This is costly and stretches resources. WBG reports have highlighted improvements in regulatory frameworks—but also significant room for improvement. Although many countries have concentrated on making it easy to start a business, it is the whole corporate life cycle that needs to be considered. At the same time, because of size and resources, SMEs have relatively higher compliance costs—proportionally 10 to 30 times greater than those of larger businesses.

E-government initiatives that provide online and often one-stop access to government services and compliance requirements across government agencies have been widely adopted in developed economies to simplify operations, optimize efficiency, and reduce costs. However, emerging economies are further behind in using the Internet to streamline compliance with business rules. Their scores on the WBG index can be 50 percent of, or even lower than, those of developed economies.

In addition, SMEs often do not have adequate access to public procurement markets, which in most countries are a significant share of the markets for goods and services. This lack of access is due to poor visibility of opportunities, little understanding of procedures, the weight of bureaucracy, documentation and guarantee requirements, little overall transparency in the procurement process, and few specific incentives for local content.

Recommendation 18: The G20 should improve the regulatory environment for SMEs through a reduction of compliance costs and a significant improvement of access to public procurement markets, especially through the use of digital technology in government processes by:

18.1 Setting measurable targets to simplify the regulatory process and alleviate SMEs' compliance burden. This includes substantially decreasing the cost and complexity of compliance, developing e-government priorities to make national and international regulatory processes digital, and providing regular reporting on performance.

18.2 Advancing SMEs' participation in public procurement by actively promoting their share in it and by simplifying the tender process

Using technology to improve infrastructure life cycles

The infrastructure sector is relatively slow to develop and adopt new technologies. The way assets are constructed and operated has not fundamentally changed over many decades. As a result, improvements in productivity have been meager.

However, the infrastructure industry is now experiencing a period of rapid, increased innovation. Many of the digital and other new technologies pervading today's industrial landscape are applicable in the infrastructure value chain—for example, in engineering and construction and in operations and maintenance. Harnessing this innovation could boost productivity in infrastructure across the whole life cycle and address many challenges. These challenges include delivering projects on time and within budget; lowering asset life-cycle costs; mitigating, and improving resilience to, climate change; and minimizing vulnerability to cyber threats. In combination, some technological advances can improve the return profile of projects substantially to offer new opportunities for private-sector involvement.

The biggest barriers to broader adoption of these technological innovations include high up-front investment for new technologies (despite significant life-cycle savings); little strong, large-scale proof of financial and socioeconomic value; few common standards; and disparity between the broader socioeconomic benefits and customers' willingness to pay.

Recommendation 19: The G20 should enable and promote best-practice asset management and leading-edge technologies in order to support whole-project life-cycle productivity and build lasting and sustainable infrastructure by:

- 19.1 Encouraging the launch of national asset-transformation initiatives to capture latent value from existing assets through better use of digital and other new technologies and best practices for asset management
- 19.2 Requiring construction-oversight and procuring entities to provide incentives for using productivity-enhancing technologies and other innovations in infrastructure building and development
- 19.3 Encouraging enablement, development, and deployment of innovative technology, particularly in the energy and transport sectors

Infrastructure interconnectivity for growth

Transnational transport networks play an important role as the backbone of regional integration: they link production clusters in different countries, remove physical barriers to trade, and allow the free movement and trade of goods, services, and people. Energy interconnection would let countries balance the supply and demand of energy more effectively and efficiently, and also enable long-distance transportation of low-cost renewable energy—for example, from desert or windy areas to places of high demand, such as global megacities and production centers.

However, transnational infrastructure is often neglected because infrastructure projects traditionally are planned by individual countries. Also, transnational projects typically face many delivery challenges in addition to the usual infrastructure-project risks: (1) These projects are unusually large and complex, as different existing networks on both ends need to be connected, and the number and variety of stakeholders is amplified. Project promoters need to plan, procure, and deliver these projects despite diverse technical standards, operating requirements, and varying regulatory and legal environments. (2) Politically, it is often difficult to reach consensus on concepts and to align various national agendas, agree on a joint financing strategy, and determine a fair risk allocation in the contracts. (3) Establishing transnational infrastructure can require overcoming historical-political differences, language barriers, and cultural disconnections.

Many regional groupings (for example, the European Union) and multilateral organizations have launched programs to give greater priority to the development of transnational infrastructure. More recently, several nations have introduced cross-border investment strategies, such as the Chinese "Belt and Road," the US's "Power Africa," and the Japanese "JOIN" initiatives.

Recommendation 20: The G20 should strengthen or establish national, regional, and global initiatives to enhance infrastructure interconnectivity (such as the GEI, PIDA, TEN-T, and SIEPAC) across all sectors by:

20.1 Formalizing the Alliance, and encouraging existing and emerging MDBs and multilateral development institutions involved in it to use their strengths to deepen coordination of and cooperation for interconnectivity, as well as to expand other transnational infrastructure programs and implementation mechanisms

20.2 Encouraging regular G20 government, business, and expert dialogue to shape the interconnectivity agenda and foster the exchange of best practices across regions and sectors

B20 2016 leadership

The B20 2016 Host Committee was established to coordinate the international business community's engagement with the G20 and to guide the work of B20 2016.

Mr. Jiang Zengwei, Chairman of the China Council for the Promotion of International Trade (CCPIT) and the China Chamber of International Commerce, chairs the Host Committee with support from Vice Chair Mr. Yin Zonghua and Vice Chair and B20 2016 Sherpa Mr. Yu Ping. Secretarial support for B20 2016 is provided by CCPIT under the direction of Mr. Chen Zhengrong, Mr. Yu Jianlong, Ms. Li Qingshuang, Mr. Sun Xiao, and Ms. Chang Yun.

Reporting directly to the B20 2016 Chair, the International Cooperation Committee advises on the taskforce work program and undertakes overall quality assurance for the B20 outputs. The members of the Committee are Mr. Yu Ping; Mr. Sarp Kalkan, Turkey B20 Sherpa; Dr Stormy-Annika Mildner, Germany B20 Sherpa; Mr. Wang Tongsan, expert from T20 China; and Mr. Robert Milliner, Australia B20 Sherpa (who also acted as a senior adviser to CCPIT).

The Taskforce chairs and co-chairs are:

Employment
Chair LI Yanhong, Chairman & CEO, Baidu
Co-chairs Gary D. BURNISON, CEO, Korn Ferry International LIANG Xinjun, Vice Chairman & CEO, Fosun Group Yogendra Kr. MODI, Executive Chairman, Great Eastern Energy Corporation Ltd Daniel FUNES DE RIOJA, President, International Organization of Employers (IOE) ZHANG Lei, Founder & Chairman, Hillhouse Capital Group

Financing growth
Chair MIAO Jianmin, Vice Chairman & President, China Life Insurance (Group) Company
Co-chairs Laurence FINK, Chairman & CEO, BlackRock Andrey KOSTIN, CEO & President, VTB Bank Craig MELLER, CEO, AMP Ltd., Bill WINTERS, CEO, Standard Chartered ZHANG Hongli, Senior Executive Vice President, Industrial and Commercial Bank of China (ICBC),

Infrastructure
Chair REN Hongbin, Chairman, Sinomach
Co-chairs John BECK, Chairman, Aecon Group Hans-Paul BÜRKNER, Chairman, The Boston Consulting Group (BCG) Kirill DMITRIEV, CEO, Russian Direct Investment Fund (RDIF) FU Chengyu, Ex-Chairman, Sinopec Group Jean-Sébastien JACQUES, Chief Executive, Rio Tinto LIU Zhenya, Ex-Chairman, State Grid Corporation of China (SGCC) MA Lu, Senior Vice-President, State Power Investment Corporation (SPIC) Marcus WALLENBERG, Chairman, Skandinaviska Enskilda Banken (SEB)

SME development
Chair Jack MA, Executive Chairman, Alibaba Group
Co-chairs Mary ANDRINGA, Chair of the Board, Vermeer Corporation Jonathan K. S. CHOI, Chairman, Sunwah Group Göktekin DINÇERLER, Director, Turkven Private Equity Sunil Bharti MITTAL, Chairman & CEO, Bharti Enterprises Pierre NANTERME, Chairman & CEO, Accenture Diane WANG, Founder & CEO, DHgate.com
Trade and investment
Chair Frank NING, Chairman, Sinochem Group
Co-chairs LI Jianhong, Chairman, China Merchants Group Andrew N. LIVERIS, CEO, The Dow Chemical Company Jamal J. MALAIKAH, President, National Petrochemical Industrial Company Harold MCGRAW III, Chairman Emeritus, S&P Global TONG Fuyao, Senior Vice President, Lenovo Group & President, Lenovo China

Distribution of B20 2016 taskforce members

Argentina	5	India	14	Saudi Arabia	6
Australia	21	Indonesia	3	South Africa	6
Brazil	2	Italy	9	Turkey	22
Canada	17	Japan	12	The United Kingdom	35
China	156	Republic of Korea	9	The United States	71
France	33	Mexico	3	The European Union (EU)	35
Germany	13	Russia	24	Other	37

Total 533

B20 2016 process

Date	Location	Theme
January 26	Beijing	Kick-off meeting: Set preliminary direction
February	Taskforce teleconferences	Prioritize themes and recommendations
April	Guangzhou	Second G20 Sherpas' meeting: Present B20 policy developments
April 17	Washington, DC	First joint taskforce meeting: Discuss first draft of taskforce policy paper
April 27	Beijing	Anti-Corruption Forum
May	Taskforce teleconferences	Review second draft of taskforce policy paper
May 31	Paris	Second joint taskforce meeting: Review final draft of taskforce policy and advocacy paper
June	Taskforce teleconferences	Circulate final taskforce policy and advocacy paper
	Xiamen	Third G20 Sherpas' meeting: Present B20 policy recommendations
July	Shanghai	Trade Ministers meeting: Present B20 policy recommendations
	Beijing	Labor and Employment Ministers meeting: Present B20 policy recommendations
	Chengdu	Finance Ministers and Central Bank Governors meeting: Present B20 policy recommendations
September 3-4	Hangzhou	B20 Summit: Present B20 policy recommendations and receive feedback

Policy development

B20 2016 developed its policy recommendations through a kick-off meeting, two joint taskforce meetings, an anti-corruption forum, and 15 taskforce teleconferences. A total of 2,150 persons participated.

Regional consultation

In addition, B20 2016 undertook further consultation with the international business community through 15 B20 Special Workshops and visits to 14 G20 members and guest countries, with 1,750 persons participating, to collect feedback and input for the B20 policy recommendations.

B20-G20 interaction

To engage G20 decision makers in the development of the B20 policy recommendations, B20 2016 has interacted with G20 Leaders, Ministers, and Sherpas and attended G20 working-group meetings.

List of acronyms and glossary of terms

CCPIT	China Council for the Promotion of International Trade
eWTP	Electronic World Trade Platform
FDI	foreign direct investment
GEI	Global Energy Interconnection
GIH	Global Infrastructure Hub
GVC	global value chain
IIA	international investment agreement
ICC	International Chamber of Commerce
IFC	International Finance Corporation
ITC	International Trade Center
MDB	multilateral development bank
OECD	Organization for Economic Cooperation and Development
PIDA	Program for Infrastructure Development
PPP	public-private partnership
SIEPAC	Central American Electrical Interconnection System
SMART	Sustainable innovation, Massive public platform, Accessible network, Revolutionary reform, and Technological innovation
SME	small and medium sized enterprise
TEN-T	Trans-European Transport Network
TFA	Trade Facilitation Agreement
UNCTAD	United Nations Conference on Trade and Development
WBG	World Bank Group
WEF	World Economic Forum
WSF	World SME Forum
WTO	World Trade Organization