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China's G20 Year and the New Paradigm

Emphasis on Global Governance Pointing the Way to 2017 and Beyond

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In 2016, RDCY is one of the three think tanks officially assigned to spearhead 2016 T20 activities in China.

Main Highlights from China's G20 Year

Germany will take over the G20 presidency on December 1, 2016. This report is an overview of the broad G20 agenda emphasizing the Chinese presidency's contribution to this agenda. The report includes an analysis of G20 official documents, provides context to the G20 agenda and, in some instances, uses literature to shed light on ongoing debates in the international community.

The report was written to better understand the G20 agenda under Chinese leadership and where the G20 stands in terms of its role in global economic governance with an aim to provide recommendations for the German G20 presidency and beyond. The following are highlights from the G20 agenda in 2016:

1. **The Chinese presidency offered a well-integrated and coherent narrative for stimulating growth that is sustainable by emphasizing it is environmentally friendly and inclusive.** The presidency successfully linked together the different aspects of the agenda - in particular the growth and sustainable development agendas. As such, the presidency's agenda was focused on economic issues. The emphasis on innovation and investment were at the core of its strategy to achieve growth and sustainable development.
2. **The Chinese G20 presidency focused on medium to long-term strategies to boost potential growth through structural reform, and most centrally by introducing innovation as a key leitmotif into the G20 agenda.** The Chinese G20 presidency emphasized the need for structural shifts to address global economic stagnation.
3. **The Chinese presidency's priority of innovation was the center piece of the leaders' communiqué.** The presidency's long term vision entailed addressing shortcomings in current policy frameworks and a strong emphasis on new drivers of growth through a G20 blueprint for innovative growth and action plans for innovation, the new industrial revolution (NIR), and the digital economy. The action plans highlighted opportunities for utilizing technological innovation for inclusive and sustainable growth.
4. **The Chinese presidency introduced the Enhanced Structural Reform Agenda, which is a targeted approach to implementing G20 structural commitments.** The enhanced structural reform agenda will play a central role in the realization of the "Breaking a New Path for Growth" agenda.

5. **The Chinese G20 presidency resumed the International Financial Architecture Working Group to address emerging risks and vulnerabilities in the global economy.** The leaders adopted the G20 Agenda Towards a More Stable and Resilient International Financial Architecture. Against emerging risks and vulnerabilities in the global economy, the agenda focused on managing capital flows and sovereign debt restructuring, especially in developing countries. It underlined the need to build resilience by reinforcing the Global Financial Safety Net (GFSN) with an adequately resourced IMF, coordination between IMF and other regional financing arrangements (RFAs), as well as by broadening the use of the Special Drawing Rights (SDR). The agenda also continued to promote further governance reform of international institutions.
6. **The Chinese presidency brought new momentum to addressing challenges of environment and climate change.** The presidency set up a green finance study group to support the transition to a green global economy. The green finance agenda is to mobilize private capital for green investments. It is also closely related to the G20 infrastructure agenda in 2016 for facilitating quality projects. Furthermore, China and the US jointly announced their ratification of the Paris climate change accord ahead of the summit.
7. **Anti-corruption and financial transparency were a high priority.** The leaders adopted the new High Level Principles on Cooperation on Persons Sought for Corruption and Asset Recovery and the fourth 2017-2018 G20 Anti-Corruption Action Plan. China established the Research Center on International Cooperation Regarding Persons Sought for Corruption and Asset Recovery in G20 Member States.
8. **The Chinese G20 presidency focused on sustainable energy issues with an emphasis on innovation and long term objectives.** The leaders endorsed the G20 Energy Efficiency Leading Programme (EELP), a long term framework to support G20 voluntary collaboration on energy efficiency. In line with China's priority of innovation, the EELP included new technology related cooperation areas.
9. **The G20 adopted the first ever G20 Strategy for Global Trade Growth.** The Strategy aims to bring in developing countries and SMEs into the global economy and address global slowdown of trade and investment growth.
10. **The G20 adopted a "G20 Guideline for Global Investment Policy" which is the first framework for multilateral global investment rules.** The communique emphasized IPR while bringing up the issue of technology transfer "on a voluntary basis". The common strategy underlined was the creation of a predictable investment environment.

11. **The G20 adopted the G20 Action Plan on the 2030 Agenda for Sustainable Development to provide impetus for G20 countries in implementing the UN agenda.** The Action Plan differs from the earlier G20 approaches to development in that the 16 Sustainable Development Sectors (SDS) identified in the Action Plan reflect priorities both in the G20's finance track and development track. Hence, the Action Plan is in line with the Chinese presidency integrated agenda, which effectively makes the G20 agenda more focused.
12. **The Chinese presidency introduced the G20 Initiative on Supporting Industrialization in Africa and Least Developed Countries.** This is the first time that the G20 has adopted a comprehensive and well-integrated policy vision for low income developing countries. The industrialization perspective encompasses a host of factors including energy, trade, infrastructure and employment. At the same time, the industrialization agenda figured significantly in the new innovation agenda as well as the energy, trade and infrastructure agendas.
13. **China launched the Global Infrastructure Connectivity Alliance initiative to support connectivity enhancing projects.** The Alliance aims to enhance synergies among different regional programs and monitoring and assessing global connectivity performance. The focus on connectivity enhancing infrastructure was also identified as a key input in the Chinese G20 presidency's industrialization of Africa agenda to facilitate developing regions' access to regional and inter-regional trading links.
14. **A cross –cutting priority of the Chinese presidency's infrastructure agenda was the emphasis on qualitative investments referring to socially inclusive and environmentally sustainable projects.** The Joint Declaration of Aspirations (JDA) on actions to support infrastructure investments signed by 11 multilateral development banks (MDBs) - including new ones led by emerging markets such as the Asian Infrastructure Investment Bank (AIIB) and BRICS New Development Bank – reflected the focus on quality investments. Further, the priority of quality investments was underlined in the Chinese presidency's industrialization of Africa and green finance agendas.
15. **In 2016, the G20 employment agenda continued to promote skills development and entrepreneurship with a strong emphasis on employment and workforce skill challenges posed by technological transformation.** The leaders committed to actions set out in the new G20 Entrepreneurship Action Plan and welcomed the Entrepreneurship Research Centre on G20 Economies established by China. The Chinese presidency continued to prioritize challenges in workforce skill development. In this relation, the New Industrial Revolution (NIR) agenda committed to addressing employment and workforce skill challenges posed by the NIR. The leaders also endorsed the G20 Initiative to Promote Quality Apprenticeship with policy priorities of increasing the quantity, quality and diversity of apprenticeships.

16. **In 2016 , the G20 employment agenda focused on social protection systems and links between strong labor market institutions/policies and increased productivity, promotion of decent work and wage growth especially for low income workers.** The leaders endorsed the Sustainable Wage Policy Principles which drew attention to aligning a growth in wages with growth in productivity and reduction in “wage gaps”.
17. **The Chinese G20 presidency emphasized agricultural development and food value chains through technological, institutional and social innovation.** To this end, the G20 Agricultural Chief Scientists (MACS) supported the development of Global Research Collaboration Platforms (GRCPs) which includes a proposal for the establishment of a working group on Agricultural Technology Sharing (ATS) that will be led by China. Under the Chinese presidency the effort to increase small farmer productivity and market integration gave priority to farmers’ access to innovations and technology. Similarly, the industrialization initiative focused on improving labor productivity in agriculture as well as upgrading the technology base for agriculture.
18. **The G20 focused on boosting investment in agriculture by increasing collaboration among agricultural, scientific and private sectors.** To this end, in 2016 an important initiative was the opening of the first G20 Agricultural Entrepreneurs Forum (AE20).
19. **The leaders’ summit was held in Hangzhou, a city that holds significance for being the hometown of Alibaba, China’s world famous e-commerce company, a symbol for Chinese transformation from the world’s factory to a high-tech economy.** Considering China’s transformative experience and its own domestic priorities, it comes as no surprise that the Chinese government introduced innovation as a central leitmotif into the G20 agenda.
20. **The 2016 G20 agenda and the G20 leaders’ communique delivered at the Hangzhou summit provide a framework to give a new direction to the world economy.**

Table of Contents

SECTION 1: Background and Summary	1
SECTION 2: Breaking a New Path for Growth	10
2.1. Innovation Action Plan	11
2.2. The New Industrial Revolution Action Plan	12
2.3 The G20 Digital Economy Development and Cooperation Initiative	16
SECTION 3: More Effective and Efficient Global Economic and Financial Governance	22
3.1. The International Financial Architecture	24
3.2. Financial Reform Agenda	29
3.3. Climate Change and Transition to a Green Global Economy	33
3.4. Energy Agenda	36
3.5. Tax Governance and Policy	42
3.6. Anti –corruption	46
SECTION 4: Robust International Trade and Investment	52
4.1. The Multilateral Trade System and Protectionism	53
4.2. A G20 Framework for Promoting Trade Growth	59
SECTION 5: Inclusive and Interconnected Development	71
5.1. Alignment of G20 Development and UN Agendas	74
5.2 Supporting Industrialization in Africa and LDCs	80
5.3. Illicit Financial Flows	84
5.4. Inclusive Business	85
5.5. Development Funds	86
5.6. Infrastructure	87
5.7. Employment	97
5.8. Food Security and Nutrition	106
SECTION 6: Evaluation of Progress and Accountability	116
SECTION 7: Policy Recommendations and Prospects for 2017 and Beyond	120
Concluding Remarks	127

SECTION 1: Background and Summary

When the G20 declared itself the premiere forum for global economic governance in 2008, the immediate challenge was to take coordinated action in response to the financial crisis. The G20 played a critical role in strengthening the financial regulatory architecture as well as increasing IMF resources and its lending capacity, hence stabilizing market confidence. The G20 leaders also decided to follow up on a broader policy response to support financial stability and economic growth by exercising closer cooperation in non-financial domains leading to the incorporation of the sherpas' track to address issues including development, employment, trade, and corruption among others.

In spite of G20's success in responding to the crisis, the world economy continues to struggle to recover from the 2008 crisis still showing a low growth trajectory and high unemployment. 2016 is the fifth year that average economic growth has been very slow. Between 2012 and 2015 on average economic growth was 3.3 percent and is expected to stand at 3.1 percent in 2016. according to the latest IMF forecast in October.¹ Growth momentum is weak in advanced economies while many emerging markets and developing countries not recovering previous levels of growth.

Against the backdrop, the question remained whether G20 could assume a leadership role in the world economy. In his speech at the Antalya Summit in Turkey in 2015 entitled "Innovative Growth that Benefits All", Chinese President Xi Jinping said "the G20 should not only address the immediate challenge by stabilizing growth, but also tackle the root cause by gathering momentum for long-term development, not only implement the outcomes of previous summits, but also strive to forge new consensus, and not only manage their own affairs well by taking effective measures at home, but also respond to the challenges together through closer cooperation."² He also laid down four proposals which constitute the core framework of the Chinese G20 agenda in 2016: "First, strengthen macroeconomic policy communication and coordination, and form synergy between our policies and actions. Second, promote reform and innovation, and boost the medium- and long-term growth potential of the world economy. Third, build an open world economy and reinvigorate international trade and investment. Fourth, implement the 2030 sustainable development agenda and lend strong impetus to equitable and inclusive development."³

The Chinese agenda reflects strong continuities with agendas of the Australian and Turkish G20

1. IMF, *World Economic Outlook, October 2016: Subdued Demand: Symptoms and Remedies*, (Washington DC: IMF, 2016), <http://www.imf.org/external/pubs/ft/weo/2016/02/pdf/c2.pdf>

2. "Xi Jinping Attends the 10th G20 Summit and Delivers Important Speech" G20 China news release (source: Xinhuanet), 16 November 2015.

3. Ibid.

presidencies. At the Brisbane Summit, G20 Leaders set the additional 2 percent growth target by 2018 unveiling 1000-plus actions to achieve this target. Each country prepared growth strategies covering a large number of macroeconomic and structural reform commitments. The Brisbane growth agenda was further developed under the Turkish G20 leadership, which initiated an accountability framework and country-specific investment strategies to address shortfalls in growth commitments. The Turkish presidency also put greater emphasis on inclusivity and development facilitating the alignment of the UN and G20 development agendas.

Collaboration between think-tanks has played an important role in the Chinese presidency's agenda and working group arrangements in 2016. Think-20 Turkey – its activities coordinated by the Economic Policy Research Foundation of Turkey (TEPAV) - introduced into the G20 agenda the discussion of technological transformation and innovation, pointing to their primacy in development. The T20 discussions on technology and innovation addressed developmental issues that were on the United Nations development agenda and were part of the Turkish G20 Presidency's inclusiveness priority in 2015. This initiative also coincided with the Turkish government's initiative to incorporate the Innovation 20 – an unofficial effort that began during Australia's 2014 G20 presidency – into the T20 framework. In collaboration with the German Economic Policy Forum (EPF), TEPAV organized a joint T20 seminar on "Innovation and International Technology Diffusion" focusing on how the G20 could explore a framework for technology and innovation¹. Furthermore, Think20 Turkey, together with the UNDP organized the Innovation 20 Summit on 13 November 2015 alongside the G20 Antalya Summit. The Summit highlighted the potential contribution of emerging technologies on growth and sustainable development as well as cross-border dimensions of technological transformation. The Summit ended with a handover ceremony of the Innovation-20 from T20 Turkey to the three institutions that led T20 China in 2016 - Institute of World Economics and Politics (IWEP) at the Chinese Academy of Social Sciences (CASS), Chongyang Institute for Financial Studies at Renmin University of China (RDCY) and Shanghai Institute for International Studies (SIIS).²

Against this backdrop, China officially took over the G20 presidency on December 1st, 2015. In 2016, the Chinese presidency held 70 plus meetings including those of G20 finance ministers and central bank governors, G20 finance and central bank deputies, G20 sherpas and meetings for agriculture, energy, labor and employment, tourism as well as trade ministers. There are now eight working groups that meet regularly including working groups for the strong, sustainable and balanced growth framework; development; employment; energy sustainability; investment and infrastructure; anti-corruption; international financial architecture (reactivated in 2016); and the newly established Trade and Investment

1. For the outcome document of the seminar see: TEPAV-EPF, "T20 Regional Seminar on Innovation and International Technology Diffusion", Berlin, 18-19 May 2015.

2. "Innovation-20 (I-20) Summit was held on November 13 in Antalya", T20 Turkey news release, 13 November 2015, <http://www.t20turkey.org/eng/pages/news/n28.html>

Working Group. As significantly, there are taskforces and study groups including those established by the Chinese presidency on innovation, new industrial revolution and digital economy as well as the G20 Green Finance Study Group. Contributing to the presidency's agenda were views of official engagement groups - Business-20, the Labor 20, the Think-Tank 20, the Youth 20, the Women 20, and the Civil 20.

The final communiqué that came out of the Hangzhou summit reflected the breadth and depth of these discussions. The Chinese presidency's starting point was the “innovative, invigorated, interconnected and inclusive global economy” framework. This framework linked together the different aspects of the agenda - in particular the growth and sustainable development agendas. As such, the presidency's agenda is focused on economic issues as is evident in the Hangzhou G20 Leaders' Communiqué and accompanying documents.

First, as part of the G20 policy coordination framework, in 2016, the Chinese G20 presidency focused on medium to long term strategies to boost growth through its structural reform agenda. The leaders adopted the Enhanced Structural Reform Agenda building on the G20 structural reform commitments made since the 2014 Brisbane Summit. This is a targeted approach to the G20 structural reform agenda, based on a measurable action plan to help monitor progress of individual countries' growth commitments.

G20 members have made both structural and macroeconomic (fiscal, monetary and exchange rate policies) commitments since the Framework for Strong, Sustainable, and Balanced Growth adopted by leaders at the Pittsburgh Summit in 2009. G20 commitments acquired more structure at the Brisbane Summit in 2014, when G20 members pledged to raise collective growth of the G20 by an additional 2 percent by 2018 through their individual growth strategies. According to an IMF and OECD assessment in light of reforms that were fully implemented by the time of the Hangzhou Summit, collective G20 GDP will increase by an additional 1.0 per cent by 2018, above the 0.8 per cent calculated at the time of the 2015 Antalya Summit but below the 2 percent target¹.

At Hangzhou, the leaders committed to “use all policy tools - monetary, fiscal and structural - individually and collectively”². The G20's balanced approach to growth in 2016 emphasized the mutually reinforcing character of policies, especially of fiscal and structural ones.

The Hangzhou communique underscored tax policy and public expenditure to serve growth - it meant giving precedence to high-quality investments - while making sure that debt as a share of GDP is sustainable. In essence, this meant a focus on fiscal and tax strategies to create room for high quality public infrastructure spending. Infrastructure investment came to the forefront of the G20 agenda in 2014. The Brisbane summit was characterized by the Australian presidency's focus on private sector financing

1. IMF-OECD-World Bank, “Quantifying the Implementation of G-20 Members' Growth Strategies”, Draft report, September 2016.

2. G20, *G20 Leaders' Communiqué*, Hangzhou Summit, 4-5 September, 2016.

of infrastructure investment to boost growth.

G20's fiscal commitments have varied over time responding to economic trajectories worldwide. When global economic recovery looked promising at the 2010 Toronto Summit in 2010, leaders committed themselves to fiscal consolidation. By the St. Petersburg summit in 2013 it began to see the need to strike a balance between fiscal sustainability on one hand, and supporting growth and job creation on the other. In his analysis of the G20 finance ministers and central bank governors, meeting in July 2016, John Kirton argues that the ministers once again resorted to “the familiar old formula to put monetary policy first, structural reform second and fiscal policy last, even if the fiscal policy was declared equally important as structural reform.”¹

Yet, Ye Yu from the Shanghai Institutes for International Studies (SIIS) notes that “the G20's emphasis on structural reforms in 2016 should not be over-read” and that “the G20 consensus of “collectively” using all policy tools and their detailed elaboration about the role of fiscal policy reflects a subtle shift in attitude of those members that have been most cautious about using fiscal policy in support of growth.”² She argued that “the endorsement by G20 members of a more balanced approach towards growth may not have translated into a collective action plan as in 2009; but China's Presidency has overseen a positive consensus emerge about how to promote mutual interactions of fiscal and structural policies.”³

In 2016, the G20 leaders promised to employ monetary policy in support of economic activity and price stability, “consistent with central banks' mandates”. Recently, monetary policy has taken precarious turns. In December 2015, the US Federal Reserve Bank announced its first federal rate increase since 2006. Other central banks in advanced economies (the European Central Bank (ECB) and the Bank of Japan (BoJ)), however, moved in the opposite direction, insisting on monetary policy easing to offset low inflation. This divergence of monetary policies in advanced economies altered the relative cost of funding in different international currencies. Together with the slowdown of growth in emerging markets, where commodity exporters face pressure due to drop in oil prices, monetary policy divergence in advanced economies has led to capital flow volatility⁴. Possible negative spillovers from the further rise in the Fed's interest rate policy threatens macroeconomic and financial stability in emerging markets that are already experiencing capital outflows.

1. John Kirton, “A Disappointing Response to Global Dangers from G20 Finance Ministers and Central Bank Governors at Chengdu”, The G20 Research Group and G7 Research Group at the University of Toronto, Commentary, 24 July 2016.

2. Ye Yu comments are based on an analysis of the finance ministers' communique that came out in 2016. The leaders reaffirmed the same message at Hangzhou.

Ye Yu, “Overview of the 2016 Chinese G20 Presidency: A Balanced Approach to Growth”, in “Towards Hangzhou and Hamburg” ed Tristram Sainsbury, Lowy Institute for International Policy, G20 Monitor No. 21, August 2016.

3. Ibid.

4. IMF, *World Economic Outlook, October 2016: Subdued Demand: Symptoms and Remedies*, (Washington DC: IMF, 2016).

Furthermore, the leaders acknowledged the adverse effects of excessively volatile exchange rates on economic and financial stability. Notwithstanding, the communiqué reiterated earlier commitments to refrain from competitive devaluations. A key development in 2015 was China's move to partially allow the market to determine the value of its currency. This was a departure from China's policy of a more controlled exchange rate mechanism – pegging its currency against the US dollar and not a wider basket of currencies - exposing the Chinese currency to market volatility, at least during the transitional phase. In the same period, some commodity-exporting emerging markets witnessed a decline in the level of their foreign exchange reserves¹.

Second, a highlight of the leaders' concerns was “breaking a new path for growth” through innovation- the Enhanced Structural Reform agenda will play a central role in the realization of this agenda. Against the backdrop of a global economy in its fifth year of slow economic growth, the Chinese G20 presidency focused on medium to long term strategies to boost potential growth and to support sustainable and inclusive development through structural reform and most centrally by introducing innovation as a central leitmotif into the G20 agenda. This entailed addressing shortcomings in current policy frameworks and a strong emphasis on new drivers of growth through a G20 Blueprint for Innovative Growth and action plans for innovation, the new industrial revolution (NIR) and the digital economy. Significantly, the action plans highlighted opportunities for utilizing technological innovation for inclusive and sustainable growth.

Third, balanced and effective global economic and financial governance and well-functioning institutions have been crucial to the realization of G20's ambition to secure global growth. This agenda complements the G20's short and medium term growth objectives to achieve growth that is stronger, sustainable, balanced and inclusive.

In 2016, the Chinese G20 presidency resumed the International Financial Architecture Working Group to address emerging risks and vulnerabilities in the global economy. This is against an economic backdrop of the global impact of China's economic slowdown, worldwide decline in commodity prices and a related slowdown in investment and trade as well as declining capital inflows to developing countries. At the same time, monetary policy divergence in advanced economies together with growth slowdown in emerging markets shifted the G20's focus to managing capital flow volatility. Similarly, given the sharp drop in commodity prices and tightening in financial conditions, the G20 focused on monitoring risks of sovereign debt, particularly in low-income countries.

On a positive note, the end of 2015 marked the beginning of IMF restructuring. First, the IMF approved the incorporation of the RMB into the Special Drawing Rights (SDR) basket of major currencies. Then the US Congress finally approved the 2010 IMF quota reform that increased the decision-making powers

1. G20, “Hangzhou Accountability Assessment”, G20 Framework Working Group, G20 China, September 2016.

of emerging countries, although the US still retains veto power. In 2016, The G20 underlined the need to build resilience by reinforcing the Global Financial Safety Net (GFSN) with an adequately resourced IMF, and coordination between the IMF and other regional financing arrangements (RFAs), as well as broadening the use of the SDR.

With respect to financial governance, in 2016 the G20 addressed emerging risks and vulnerabilities in the financial system. In the wake of the global financial crisis, the G20 launched a comprehensive financial reform program to increase the resilience of the global financial system. With the main elements of the financial reform agenda agreed, the G20 and the Financial Stability Board focused on emerging risks and vulnerabilities in the financial system, including shadow banking, asset management, and other market-based financing as well as the decline in correspondent banking services.

The G20 emphasized more sustainable and balanced short and medium term growth by calling for greater cooperation on financial inclusion and climate finance as well as by introducing the green finance working group. The leaders called for greater cooperation on financial inclusion emphasizing digital financial inclusion. Furthermore, the Chinese G20 presidency introduced the Green Finance Working Group to mobilize private capital for green investments. The latter is also closely related to the infrastructure agenda for facilitating high quality, sustainable projects.

With regard to governance of energy, China focused on sustainable energy; at issue was a greater focus on technology, in line with China's priority of innovation in the G20 agenda. The leaders underlined a sustainable and low greenhouse gas (GHG) emissions energy future while utilizing energy sources and technologies. The leaders endorsed the G20 Energy Efficiency Leading Programme (EELP), a long term framework to support G20 voluntary collaboration on energy efficiency in light of the existing G20 Energy Efficiency Action Plan (EEAP). In line with China's priority of innovation, the EELP included new technology related cooperation areas.

Furthermore, better regional connections for energy investment projects were prioritized relating to the Chinese G20 presidency's emphasis on enhancing cross-border infrastructure investments, especially in developing countries. A similar connection can be found with the G20 Initiative on Supporting Industrialization in Africa and LDCs, which includes promoting investment in renewable energy and energy efficiency.

On tax governance, in 2016 the base erosion and profit shifting (BEPS) project became more inclusive with the establishment of the G20/OECD Inclusive Framework on BEPS. The new Framework allows for all interested countries and jurisdictions to participate in the implementation process of the BEPS project. However, countries that will join later were not part of the rule making processes. Furthermore, the leaders acknowledged the establishment of the new "Platform for Collaboration on Taxation" which aims to provide support for building tax capacity and most significantly, assign developing countries a bigger role in the designing of rules and standards for international taxation.

The tax and anti-corruption agendas addressing tax transparency and illicit financial flows came to the forefront of the G20 presidency's concerns following the Panama Papers exposure. The leaders took a strict stance against countries that do not sufficiently achieve a satisfactory level of implementation of the agreed international standards on tax transparency, stating that “defensive measures” will be considered against these jurisdictions. Furthermore, the leaders adopted the new High Level Principles on Cooperation on Persons Sought for Corruption and Asset Recovery and the fourth 2017-2018 G20 Anti-Corruption Action Plan. China established the Research Center on International Cooperation Regarding Persons Sought for Corruption and Asset Recovery in G20 Member States.

The fourth highlight of the communiqué was robust international trade and investment, representing traditional engines of growth but that has been lackluster in recent years. Anticipating a further rise in protectionism, leaders stressed that the benefits of trade and open markets are communicated to the wider public more effectively and committed themselves to better distribution of benefits from trade through domestic policies.

In 2016, the G20 began to take a more proactive role in the global trade and investment agenda. The G20 Trade and Investment Working Group (TIWG) was established. With an eye to bring in developing countries into global economy and addressing global slow down of trade and investment growth, the leaders adopted the first ever G20 Strategy for Global Trade Growth.

In 2016 the Chinese G20 presidency made cross-border investment flows a top priority emphasizing the links between foreign direct investment (FDI), GVCs and trade, and their central role in development. The G20 introduced a “G20 Guideline for Global Investment Policy” which is the first framework for multilateral global investment rules. Noteworthy, is that China is the third-largest investing country worldwide, after the United States and Japan and measured in by FDI stock, it became the largest investor in LDCs in 2015, ahead of the United States¹.

The fifth issue addressed by the communiqué was inclusive and interconnected development.

The G20 adopted the G20 Action Plan on the 2030 Agenda for Sustainable Development – proposed at the Antalya summit – that will provide impetus for G20 countries in implementing the UN agenda. The G20 Action Plan shares some similarities with earlier attempts to bring more structure and accountability to the G20's development work. It differs from the earlier approaches in that the 16 Sustainable Development Sectors (SDS) identified in the Action Plan reflect G20 priorities both in the finance track (i.e. growth strategies, international financial architecture and green finance) as well as in the sherpa track. Hence, the issues identified in the G20 Action Plan on the 2030 Agenda for Sustainable Development reflect the G20 growth priorities including the new innovation agenda.

1. UNCTAD, *World Investment Report 2016 - Investor Nationality: Policy Challenges*, (Geneva: UN, 2016).

In 2016, the Chinese presidency adopted a comprehensive approach to boost development in Africa by prioritizing broad scale industrialization of the continent. Since 2010, G20's multi-year development agenda and the leaders' communiqués addressed specific priority areas. Yet the G20 did not have a comprehensive policy vision for low income developing countries. Differently, a well-integrated, concrete initiative for cooperation in support of industrialization in Africa and low-income developing countries is offered by the G20 Initiative on Supporting Industrialization in Africa and Least Developed Countries. The industrialization perspective encompasses a host of factors including energy, trade, infrastructure and employment. In the 2016 G20 context, the industrialization initiative assumed a link between infrastructure and trade – in view of the Chinese presidency's priority of cross-border infrastructure connectivity – as well as a strong emphasis on building innovative capacities to utilize technology for sustainable energy, infrastructure and industrial projects, and to enhance productivity. Thus, the initiative brought together growth, development and sustainability objectives. At the same time, the industrialization agenda for Africa and Least Developed Countries figured significantly in the new innovation agenda as well as the energy, trade and infrastructure agendas.

In the infrastructure agenda, the Chinese presidency focused on infrastructure projects that enhance connectivity and on high quality infrastructure investment to ensure economic efficiency with an eye to address social and environmental impacts. Infrastructure connectivity was identified as a key input in the Chinese presidency's industrialization of Africa agenda to facilitate developing regions' access to regional and inter-regional trading links. A similar connection can be found in the energy and green finance agendas that focus on sustainable infrastructure.

In promoting the quantity of high quality projects, the communiqué underlined synergies and coordination among different regional and multilateral initiatives. To this end, China launched the Global Infrastructure Connectivity Alliance initiative to support connectivity enhancing projects through enhancing synergies among different regional programs and monitoring and assessing global connectivity performance. In 2016, 11 multilateral development banks (MDBs), including new ones led by emerging markets such as Asian Infrastructure Investment Bank (AIIB) and BRICS New Development Bank, signed the Joint Declaration of Aspirations (JDA) on actions to support infrastructure investments.

With respect to the employment agenda, in 2016 addressing within and between country wealth and income inequalities remained a top priority. Wealth and income inequalities have been leading to tensions, especially in some advanced economies where unemployment, particularly youth unemployment, remains persistently stubborn. In 2016, the G20 emphasized social protection system, links between strong labor market institutions/policies and increased productivity, promotion of decent work and wage growth especially for low income workers. This agenda spoke to concerns of advanced countries as much as they do of developing ones. The leaders endorsed the Sustainable Wage Policy Principles. The NIR agenda also highlighted support for workforces throughout the transition to the NIR through “appropriate forms of assistance in the labor market”. The leaders also drew attention to labor market integration of migrants.

The G20 continued to promote skills development and entrepreneurship. The emphasis on innovation continued in the employment agenda, in terms of innovation and unleashing entrepreneurial potential as a means to boost job creation as well as adapting workforce skills to changing technological environment. This agenda was a central focus of the new innovation agenda that pointed to employment and workforce skill challenges posed by the NIR and the digital age.

With respect to its food security and nutrition agenda, the G20 emphasized agricultural development and food value chains through technological, institutional and social innovation.

There was a strong emphasis on technology and its contribution to sustainable agricultural productivity as well as on the smallholders integration into food value chains. To this end, at their meeting the G20 Agricultural Chief Scientists (MACS) supported the development of Global Research Collaboration Platforms (GRCPs) through the establishment of new working groups. This includes a working group to develop proposals for GRCPs principles and a MACS website, and another working group on Agricultural Technology Sharing (ATS) that will be led by China. In 2016, an important initiative was the opening of the first G20 Agricultural Entrepreneurs Forum (AE20) to boost investment in agriculture by increasing collaboration among agricultural, scientific and private sectors. Lastly, under Chinese presidency the effort to increase small farmer productivity and market integration gave priority to farmers' access to innovations and technology. Similarly, the industrialization initiative focused on improving labor productivity in agriculture as well as upgrading the technology base for agriculture.

On other challenges affecting the world economy, the leaders called attention to “Brexit”, the refugee crisis, and terrorism. They also addressed challenges of cross-border public health including antimicrobial resistance (AMR) in light of the Zika virus in 2016. In line with the institutional vision of leadership in the global economy that the communiqué presupposes for the G20, China and the US jointly announced their ratification of the Paris climate change accord ahead of the summit. In 2016, the two countries also submitted voluntary peer reviews on inefficient fossil fuel subsidies.

The communiqué offers a well-integrated and coherent narrative for stimulating growth that is sustainable by emphasizing it is environment friendly and inclusive. The Chinese presidency followed a holistic approach linking different agenda items with each other. The links between growth and development have never been so explicit. The presidency's emphasis on innovation and investment is at the core of its strategy to achieve growth and sustainable development.

The following are highlights of the G20 2016 agenda –the conceptual framework of which was the theme of the Hangzhou Summit "Towards an Innovative, Invigorated, Interconnected and Inclusive World Economy" - drawing particular attention to issues that were raised in the communiqué. The highlights are organized under the following headings of the communiqué.

Breaking a New Path for Growth

More Effective and Efficient Global Economic and Financial Governance

Robust International Trade and Investment

Inclusive and Interconnected Development

SECTION 2: Breaking a New Path for Growth

2016 is the fifth year that average economic growth has been very slow. Between 2012 and 2015 on average economic growth was 3.3 percent and is expected to stand at 3.1 percent in 2016, according to the latest IMF forecast in October¹. Since the 2008 crisis there has been an over-reliance on monetary policies to stimulate economic activity, especially by policymakers in advanced economies. There are now mounting concerns about the effectiveness of monetary policy to boost the economy given the historically low levels of interest rates. Moreover, these policies have led to macroeconomic and financial instability in developing countries. The use of fiscal policies to stimulate growth on the aggregate demand side, however, has been constrained due to high public debt levels in many countries².

In the post-2008 crisis period, a more structured policy framework was needed to address the low growth trajectory in the global economy. Beginning with the Australian presidency, the G20 has adopted a strategic vision to achieve its growth objective. At the Brisbane Summit, G20 leaders set the additional 2percent global growth target by 2018 unveiling 1000-plus actions to achieve this target. Individual countries prepared growth strategies covering a large number of macroeconomic as well as new structural reform commitments.

In 2016, in addressing global economic stagnation, the Chinese G20 presidency emphasized medium to long term strategies to boost potential growth through its new enhanced structural reform and innovation agendas³. At the Hangzhou Summit, the leaders adopted “Breaking a New Path for Growth” agenda that takes innovation as a key element to tackle the weak growth trends in the global economy and to boost long term growth potential. The Chinese presidency established three working areas to this end: innovation, the new industrial revolution (hereafter referred to as the NIR) and the digital economy development and cooperation. A G20 Task Force was set up to be supported by international organizations that will ensure that these areas are aligned with priorities of past and future presidencies and synergies are established with other G20 work streams⁴.

At the Hangzhou Summit, the leaders adopted the G20 Blueprint of Innovative Growth and action plans for the above three working areas. The blueprint is intended to complement the existing comprehensive growth strategies of G20 members⁵. The leaders also adopted the Enhanced Structural Reform Agenda –

1. IMF, World Economic Outlook, October 2016: Subdued Demand: Symptoms and Remedies, (Washington DC: IMF, 2016).

2. Ibid.

3. Chinese G20 Presidency, “Theme and Key Agenda Items of the G20 Summit in 2016”, accessed November 2016, <http://www.g20.org/English/China2016/G202016/201512/P020151210392071823168.pdf>

4. G20, G20 Leaders’ Communique, Hangzhou Summit, 4-5 September, 2016.

5. G20, “G20 Blueprint on Innovative Growth”, Hangzhou Summit, September, 2016.

building on the G20 structural reform commitments made in the member-specific comprehensive growth strategies.¹ (See Section 6.1. The Enhanced Structural Reform Agenda: A new measurable action plan to help monitor progress of individual countries)

2.1. Innovation Action Plan

The G20 2016 Innovation Action Plan² focused on innovation-driven growth and creation of innovative ecosystems with science and technology at their core. G20 encouraged adoption of pro-innovation strategies, policies and measures, support for science, technology and innovation (STI) investment and job creation, discussion on open science and the search for innovative solutions to global challenges.

The following highlights those aspects of the innovation agenda emphasized by the communiqué. In some instances, the analysis extends to issues covered in the Innovation Action Plan and other relevant documents, which are not included in the communiqué.

2.1.1. Global Innovation Data Collection and Innovation Policy Platform for Sharing Best Practices in Pro-innovation Strategies and Policies

To develop stronger innovation ecosystems, G20 members were encouraged to take part in the revision of the Oslo Manual: Guidelines for Collecting and Interpreting Innovation Data. A new online G20 Community of Practice is being established in collaboration with OECD and World Bank as part of their existing Innovation Policy Platform, to allow for G20 members to effectively engage in this Platform and share best practices³. Most significantly, the OECD will publish a 2016 G20 Innovation Report that will cover measurable indicators and G20 country experiences, best practices as well as key strategies and obstacles in implementing these strategies.

2.1.2. STEM Education, Joint Research in Innovation and Entrepreneurship for Workforce Skills and Human Capital

The leaders emphasized sharing best practices to enhance skills training for innovation and entrepreneurship i.e. by improving access to Science, Technology, Engineering and Mathematics (STEM) education. The leaders also underlined mobility of science, technology and innovation human resources.

The G20 Innovation Action Plan highlighted joint research and collaboration in innovation and

1. G20, "G20 Enhanced Structural Reform Agenda", G20 Framework Working Group, Hangzhou Summit, September 2016.

2. G20, "G20 Innovation Action Plan", Hangzhou Summit, September, 2016.

3. Innovation Policy Platform, Web site, accessed November 2016, <https://www.innovationpolicyplatform.org/content/open-science>

entrepreneurship for youth to boost job creation and supporting the role of women in science, technology and innovation activities.

2.1.3. Open Science and IPR Protection

Critical for developing countries in the innovation agenda, was the emphasis on “voluntary knowledge diffusion and technology transfer on mutually agreed terms and conditions.”¹ Similarly, leaders committed to promoting open science and to facilitating access to public funded research results on findable, accessible, interoperable and reusable (FAIR) principles. Related to these, there was an emphasis on effective Intellectual Property Right (IPR) protection in open trade and investment regimes. The leaders endorsed the G20 Guiding Principles for Global Investment Policymaking, which may pave the way for a multilateral investment framework to address uncertainties associated with cross-border investment, thus, facilitate global flow of innovation. (See Section 4.2.3.1. The G20 Guiding Principles for Global Investment Policymaking)

2.1.4. Global Flow of Innovation to Achieve the 2030 Sustainable Development Goals

The Innovation Action Plan emphasized the United Nation’s Technology Facilitation Mechanism (TFM) to promote the 2030 Sustainable Development Goals. This involves identifying information on existing STI initiatives, mechanisms, and programs and facilitating the dissemination of open access scientific publications generated worldwide. Furthermore, these mechanisms can serve as platforms to discuss STI cooperation around thematic areas for the implementation of the 2030 goals². (For a Discussion on TFM See Section 5.1.2. Sustainable Development Sectors (SDS) - Highlights in 2016)

On a more general note, the Innovation Action Plan emphasized both public and private sector cooperation to address global challenges, such as climate change, resource scarcity, crosscutting challenges related to food, energy, water as well as those related to sustainable cities, affordable public healthcare and humanitarian challenges.

2.2. The New Industrial Revolution Action Plan

The G20 New Industrial Revolution Action Plan (the NIR Action Plan) focused on shifts in the economy, especially in manufacturing and in the workforce. The new industrial revolution (NIR) priorities encouraged strong communication and cooperation among countries and other stakeholders to seize opportunities enabled by the NIR and sought to mitigate risks arising from possible technological and

1. G20, G20 Leaders’ Communique, Hangzhou Summit, 4-5 September, 2016.

2. G20, “G20 Action Plan on the 2030 Agenda for Sustainable Development”, G20 China, September 2016.

industrial changes as well as to ensure that all benefitted from the NIR. Different opportunities and challenges for developing and developed countries were underlined.

Accordingly, the leaders communiqué promoted joint action by G20 members “to strengthen communication, cooperation and relevant research on the NIR, facilitate small-and-medium-sized enterprises (SMEs) to leverage benefits from the NIR, address employment and workforce skill challenges, encourage more cooperation on standards, adequate and effective IPR protection in line with existing multilateral treaties to which they are parties, new industrial infrastructure, and support industrialization, as committed in the Action Plan.”¹

The following highlights those aspects of the NIR agenda emphasized by the communiqué. In some instances, the analysis extends to issues covered in the NIR Action Plan and other relevant documents, which are not included in the communiqué.

2.2.1. The Changing Industrial Environment

The leaders endorsed the NIR Action Plan emphasizing new opportunities presented by the new industrial revolution (NIR) for industry, especially in manufacturing. The NIR Action Plan drew attention to the potential of the NIR to boost medium to long-term economic growth as well as to support the implementation of the 2030 Agenda for Sustainable Development, particularly goal number 9. The latter aims to “[b]uild resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation.”² Accordingly, the NIR Action Plan underlined emerging technologies that enable “smart manufacturing, customization, collaborative production techniques and other new production modes and business models.”³ Such technologies include “the Internet of Things (IoT), Big Data, cloud computing, Artificial Intelligence (AI), robotics, additive manufacturing, new materials, augmented reality, nanotechnology and biotechnology.”⁴ The Action Plan underlined that new technologies have the potential “to improve productivity and competitiveness, reduce energy and resource consumption, and hence to protect the environment and increase resource efficiency and effectiveness.”⁵

The Action Plan also drew attention to the risks posed by the new industrial environment that involves social costs, challenging existing social and ethical norms, including those related to worker and consumer equality. The agenda underlined strengthening cooperation among G20 countries in assessing and

1. G20, G20 Leaders' Communique, Hangzhou Summit, 4-5 September, 2016.

2. “Transforming our world: the 2030 Agenda for Sustainable Development”, Sustainable Development Knowledge Platform, the United Nations, accessed November 2016, <https://sustainabledevelopment.un.org/post2015/transformingourworld>

3. G20, “G20 New Industrial Revolution Action Plan”, Hangzhou Summit, September 2016.

4. Ibid

5. Ibid.

managing risks to minimize social costs and take full advantage of the opportunities the NIR offers while identifying and addressing key challenges in developed and developing countries. To this end, the G20 requested the OECD, jointly with the UNCTAD and the UNIDO, to prepare a report by the end of 2016.

2.2.2. SMEs and Leveraging of the Benefits of the NIR

The leaders committed to facilitate SMEs to leverage benefits from the NIR. The NIR Action Plan highlighted increasing SMEs' awareness about the NIR through the creation of new platforms for SMEs to adopt to new and cost-effective technologies and business models, and to digital transformation as well as for SME-capacity-building. The Action Plan also pointed to the role of existing initiatives such as the World SME Forum –established under the Turkish G20 presidency - to ensure exchange of best practices between SMEs and between SMEs and larger enterprises. Finally, the NIR agenda encouraged fostering an open innovation model, to encourage collaboration between established large enterprises and innovative SMEs and start-ups.

2.2.3. Addressing Challenges to Employment and Workforce Skills

The leaders committed to addressing employment and workforce skill challenges posed by the NIR. The Action Plan highlighted support for workforces throughout the transition to the NIR, especially for women, youth and disadvantaged groups. To this end, the NIR agenda pointed to “appropriate forms of assistance in the labor market”¹ and to providing training for disadvantaged groups. Furthermore, it encouraged cooperation among educational/training institutions and businesses' to transform content of curricula to adapt to skill requirements of the NIR. Finally, the Action Plan emphasized that more people, especially women, are encouraged to pursue STEM subjects at all levels of education.

The NIR agenda also emphasized new mechanisms to foster talent exchange and global training globally in priority sectors such as smart manufacturing, industrial software and green manufacturing. It highlighted policy exchanges in areas including occupational safety and health protection as well as cross border labor mobility.

As significantly, the NIR Action Plan underlined more in-depth studies on the NIR's impact on employment and social systems in the long run.

2.2.4. Multistakeholder Cooperation for Developing New Standards to Ensure Integration and Convergence of Technologies

In the communique, the leaders emphasized the need for more cooperation on new standards to enable

1. Ibid.

the NIR. The NIR Action Plan underlined that development of new standards may need to be accelerated. These standards are expected to integrate new technologies so as to create a new manufacturing environment. To this end, the agenda emphasized an industry-led, multistakeholder approach. It encouraged cooperation among representatives from standardization organizations, private sector, enterprises, industrial and trade associations, research institutions to develop new standards in line with the needs of different sectors. It emphasized that stakeholders encourage the private sector to take part in the development of new standards and that new standards do not “act as a barrier to trade, competition, or innovation.”¹ Lastly, the Action Plan drew attention to the need to raise awareness of the latest standards development in the new industrial fields and strengthening cooperation and communication in “assessment procedures, certification and accreditation”².

2.2.5. Voluntary Knowledge and Technology Transfer with a Strong Emphasis on IPR Protection

The NIR Action Plan emphasized “voluntary knowledge sharing” and “voluntary technology transfer” “through the effective protection and enforcement of IPR”, in line with existing multilateral treaties, including the TRIPs Agreement.³ In the communique, the leaders also encouraged more cooperation to ensure adequate and effective IPR protection. The NIR Action Plan called for stronger international cooperation mechanisms for effective IPR protection in existing institutions and organizations. The Action Plan also underlined capacity building, new methods and cooperation to increase IPR licensing by reaching out to research institutes, universities and businesses in support of the work of innovators, creators and entrepreneurs.

2.2.6 Exchanges and Cooperation in New Industrial Infrastructure

The NIR Action Plan underlined exploring new infrastructure that is critical for meeting the development requirements of NIR. The Action Plan drew attention to new industrial infrastructure such as “distributed energy systems, IoT, mobile and high-speed Internet, industry cloud and industrial operating systems”⁴. It underlined cooperation for exploring opportunities for sustainable and shared construction usage and operation models. It emphasized experience sharing to design and operate new industrial infrastructure. The agenda also underlined exploring cooperation models for G20 on research and development of key technologies and on developing international standards of new industrial infrastructure.

2.2.7. Inclusive and Sustainable Industrialization for the Implementation of the 2030 Agenda for

1. Ibid.

2. Ibid.

3. Ibid.

4. Ibid.

Sustainable Development

The importance of industrialization, including that in developing countries, especially in Africa and Least Developed Countries (LDCs) was highlighted by the leaders in the NIR section of the communique (para 13). Similarly, the G20 Initiative on Supporting Industrialization in Africa and Least Developed Countries emphasized “science, technology and innovation as critical means for industrialization in Africa and LDCs.”¹ (See Section 5.2 Supporting Industrialization in Africa and LDCs)

To support industrialization in developing countries, the NIR Action Plan encouraged “voluntary knowledge diffusion and technology transfer [to developing countries] on mutually agreed terms and conditions.”² The Action Plan also encouraged voluntary collaboration between companies, research institutes universities from G20 members and developing countries on NIR related technologies.

Similarly, the G20 Initiative on Supporting Industrialization in Africa and Least Developed Countries underlined voluntary technology transfer to developing countries “in areas such as irrigation systems, water harvesting and conservation techniques, and sustainable agriculture technologies.”³ Furthermore, the Initiative emphasized training and skill upgrading of rural people to help them in developing science and risk assessment based technical and food standards and harmonize their practices with WTO rules. To this end, the industrialization initiative promoted the development of co-operation mechanisms including those of North-South, South-South and triangular cooperation in the areas of vocational training and industrial production as well as exploring funding options for academic chairs in applied research within key manufacturing systems. Finally, the industrialization in Africa initiative promoted technological social ventures⁴ and the provision of incubating services to Africa and LDCs to enhance entrepreneurship. (See Section 5.2.2. Voluntary Policy Options to Promote Industrialization in Africa and Low-income Developing Countries (LDCs) for Further Discussion)

2.3 The G20 Digital Economy Development and Cooperation Initiative

The G20 Digital Economy Development and Cooperation Initiative put forward recommendations to

1. G20, “The G20 Initiative on Supporting Industrialization in Africa and Least Developed Countries”, Hangzhou Summit, September 2016.

2. G20, “G20 New Industrial Revolution Action Plan”, Hangzhou Summit, September, 2016.

3. G20, “The G20 Initiative on Supporting Industrialization in Africa and Least Developed Countries”, Hangzhou Summit, September, 2016.

4. Technology social ventures (TSV) aim to address social problems through innovative as well as financially sustainable technology based solutions: see Geoffrey Desa and Suresh Kotha, “Technology Social Venture and Innovation: Process at Benetech”, in *The New Social Entrepreneurship: What Awaits Social Entrepreneurial Ventures*, ed Francesco Perrini (Cheltenham, UK: Edward Elgar Publishing Ltd. 2006) P. 237-259.

collectively leverage digital opportunities and cope with challenges, in order to further enable the digital economy. In 2015, at the Antalya Summit, the word internet for the first time entered a G20 leaders' communiqué and only then the opportunities and challenges for global growth the internet presents came to the attention of the leaders.

The following highlights those aspects in the digital economy agenda emphasized by the G20 Digital Economy Development and Cooperation Initiative and goes beyond the items included in the leaders communiqué.

2.3.1 Securing Conditions for a Comprehensive Digital Economy Agenda

In 2016, the G20 digital economy agenda focused on both technological innovations in ICTs and innovation in ICT-driven economic activities by emphasizing stronger synergies with other G20 work streams , notably with the innovation and the new industrial revolution agendas.

The G20 Digital Economy Development and Cooperation Initiative underlined that internet governance should follow the provisions adopted in outcomes of World Summit on the Information Society(WSIS) that took place on November 18, 2005 in Tunis, Tunisia. The Summit called for a novel multi-stakeholder governance structure for the Internet also emphasized in the initiative that underlines the participation of “governments, private sector, civil society, the technical community, and international organizations”¹. Furthermore, The G20 Digital Economy Development and Cooperation Initiative reaffirmed paragraph 4 of the Tunis Commitment of WSIS “freedom of expression and the free flow of information, ideas, and knowledge”² for economic growth, trust and security.

At the same time, the leaders underlined issues related to privacy and personal data protection as well as IPR protection. The G20 Digital Economy Development and Cooperation Initiative also underlined the centrality of the private sector in the development of digital economy, of open competitive markets and of enabling business environments; for instance, “enforcing competition and consumer protection laws which are conducive to market access, technological innovation in ICTs and the growth of the digital economy.”³

The digital economy initiative promoted universal digital inclusion and the use of digital technology for enhancing inclusion as key elements in promoting the digital economy to ensure that no one is left behind. To this end, the initiative encouraged “development of digital content and services in a variety of languages and formats” as well as “building capabilities and capacities, including media, information and digital literacy skills”⁴. Accordingly, the agenda placed a strong emphasis on multilingualism. The Digital

1. G20, “The G20 Digital Economy Development and Cooperation Initiative”, Hangzhou Summit, September, 2016.

2. World Summit on the Information Society, Tunis Commitment, 18 November 2005, <http://www.itu.int/net/wsis/docs2/tunis/off/7.html>

3. G20, “The G20 Digital Economy Development and Cooperation Initiative”, Hangzhou Summit, September, 2016.

4. Ibid.

Economy Initiative reaffirmed the target set out by the Connect 2020 agenda to ensure that 1.5 billion people have meaningful access to the Internet by 2020.¹ It underlined the potential of the digital economy for the implementation of the 2030 Agenda for Sustainable Development.

What follows is a discussion of the specific issues that refer to the larger themes discussed above i.e. stronger synergies with other G20 work streams, multi-stakeholder governance structure for the Internet, enabling legal infrastructure and competitive business environment and inclusive access.

On expanding broadband access, the Digital Economy Initiative encouraged “all countries to make Internet access central to their development and growth initiatives”². It called for accelerating network infrastructure construction, and improving broadband network coverage and making access cheaper “within a legally predictable competitive environment.”³.

On enhancing investments in the ICT sector, the Digital Economy Initiative pointed to “policy frameworks that facilitate research, development and innovation (RDI) as well as investment, including cross-border investment.”⁴ It encouraged different investment schemes in the ICT sector including joint investments between G20 members as well as Public Private Partnerships, commercial equity investment funds and social funds.

On promoting entrepreneurship, the Digital Economy Initiative emphasized “enabling, transparent legal frameworks, programs to support RDI and well-functioning capital markets for innovative enterprises.”⁵

On promoting digital transformation, the Digital Economy Initiative promoted digital technologies to support innovation in products, services, processes, organizations and business models; integrating digital technology in the manufacturing sector as well as in other areas such education, health and safety, environmental protection, urban plan, healthcare, agriculture. It emphasized “further development of services such as e-commerce, e-government, e-logistics, online tourism, and Internet finance and the sharing economy.”⁶

The Digital Economy Initiative pointed to “possibilities of introducing policies in the future to prevent anti-competitive blocking, throttling, or prioritization of data by commercial broadband networks.”⁷ To

1. “Connect 2020 Agenda for Global Telecommunication/ICT Development”, The Plenipotentiary Conference of the International Telecommunication Union, Busan, 2014, <http://www.itu.int/en/connect2020/Pages/default.aspx>

2. G20, “The G20 Digital Economy Development and Cooperation Initiative”, Hangzhou Summit, September, 2016.

3. Ibid.

4. Ibid.

5. Ibid.

6. Ibid.

7. Ibid.

this end, the agenda called for further information-sharing on regulatory and legislative processes relating to the open Internet in some G20 members.

On cross-border trade facilitation for e-commerce, the Digital Economy Initiative highlighted improving “international efforts to measure e-commerce, and the macroeconomic consequences of the digital economy.”¹ For instance, on taxation, ensuring efficient tax payment for cross-border e-commerce taking into account the Base Erosion and Profit Shifting (BEPS) issues. The agenda also underlined cooperation to protect consumers’ rights through recourse to dispute resolution and providing consumers options that match the characteristics of e-commerce. These should be “within the national framework of laws and regulations provided they are consistent with member’s international legal obligations”^{2, 3}.

The G20 Strategy for Global Trade Growth adopted by leaders also highlighted e-commerce development. As significantly, leaders took note of the B20’s initiative on Electronic World Trade Platform (eWTP) to strengthen digital trade in the ‘Robust International Trade and Investment’ section of the communique. (See Section 4.2.6. E-commerce Development)

On inclusive access, the Digital Economy Initiative prioritized “digital divides between and within countries, in particular between developed and developing countries, regions and groups, including between men and women”⁴ as well as income groups.

The Digital Economy Initiative promoted use of technology both in formal primary and secondary education and in non-formal education. It encouraged members to “strive towards ensuring an increased number of primary and secondary students lawful access to educational content, and broadband connectivity as well as digital tools in classrooms.”⁵

To address risks and challenges the digital economy may pose to the workforce, the Digital Economy Initiative underlined “cooperation among academic institutions and technical schools, libraries, businesses and community organizations”, prioritizing vulnerable groups. There is also mention of strengthening “cooperation in protecting labor rights”⁶.

1. Ibid.

2. Ibid.

3. The OECD is preparing “G20/OECD Report, Ensuring Financial Education and Consumer Protection for All in the Digital Age”. A booklet including the highlights of the report were circulated to G20 Leaders at the Hangzhou in September 2016, see: “Highlights, G20/OECD Report, Ensuring Financial Education and Consumer Protection for All in the Digital Age”, accessed November 2016, <http://www.oecd.org/finance/financial-education/HIGHLIGHTS-G20-OECD-INFE-Report-Financial-education-and-consumer-protection-in-the-digital-age.pdf>

4. G20, “The G20 Digital Economy Development and Cooperation Initiative”, Hangzhou Summit, September, 2016.

5. Ibid.

6. Ibid.

The Digital Economy Initiative promoted policies that support micro, small and medium-sized enterprises' (MSMEs) access to ICT technology, for instance, “by promoting affordable digital infrastructures needed for the digitization of MSME operations.”¹ It also called for G20 members to “encourage MSMEs to provide ICT goods and services to the public sector and to participate in global value chains.”²

2.3.2. Mutual Understanding and Cooperation in Policymaking and Regulation

Following up on the recommendations of the G20 Antalya communiqué (paragraph 26), the leaders again placed a strong emphasis on effective protection and enforcement of IPR for the development of the digital economy.

Furthermore, in order to eliminate differences in regulatory requirements of the different member states, the Digital Economy Initiative highlighted international cooperation encouraging each member to spell out their individual development trajectory in a way that is consistent with their international legal obligations and their level of development as well as with their “historical and cultural traditions, national legal systems, and national development strategies”³.

In digital economy policymaking, involving participation of all public and private stakeholders, the Digital Economy Initiative promoted “open, transparent, inclusive, evidence-based” practice. To this end, the agenda encouraged members to publish “relevant, publicly available government data, recognizing the potential to boost new technology, products and services.”⁴ Also highlighted were public procurement schemes in support of delivery of innovative digital services and products by the private sector with an eye to protect market competition.

On a global level, the Digital Economy Initiative promoted the development of “international standards for technological products and services” which are consistent with existing international frameworks including those of the WTO.⁵

In issues related to “security risks, threats and vulnerabilities in the use of ICT”, the digital economy agenda emphasized “international collaboration, capacity building and public-private partnerships.”⁶

Lastly, the Digital Economy Initiative pointed to efficient management of radiofrequency spectrum in order to take advantage of the potential of the mobile revolution for the digital economy.

1. Ibid.

2. Ibid.

3. Ibid.

4. Ibid.

5. Ibid.

6. Ibid.

2.3.3. Actions to Make a Difference

The G20 digital economy agenda emphasized collaboration and exchange between international and national bodies and facilitating research on the digital economy. In this relation, the leaders took note of the work of international organizations, particularly the OECD and IMF, as well as national organizations, on the assessment of the digital economy.

In the final section of the Digital Economy Initiative titled “Way Forward: Actions to Make a Difference”, the G20 drew attention to the work of international organizations¹ on the development of metrics for issues such as “trust in the digital economy, e-commerce, cross-border data flows, and the Internet of Things”. It also encouraged “measuring the digital economy in macroeconomic statistics through conducting a voluntary “good practices” survey of national statistical organizations, as well as by organizing a workshop for statisticians and digital companies on source data to measure the digital economy.”²

Also in the final section of the Digital Economy Initiative, the G20 emphasized sharing experiences among members on policymaking and legislation and promoted cooperation in research and training on the digital economy with an eye to support the developing countries in the G20. Also underlined were the critical importance of “multi-level exchanges between stakeholders including public and private sectors, civil society, international organizations, technical and academic communities as well as industry organizations and worker organizations” for cooperation. Lastly, the Digital Economy Initiative encouraged deeper engagement with official G20 engagements groups including the Business-20, Labor-20 and Think-20.

1. The international organizations referred to are United Nations, the United Nations Conference on Trade and Development (UNCTAD), United Nations Industrial Development Organization (UNIDO), the International Labor Organization (ILO), International Telecommunication Union (ITU), OECD, the IMF and the World Bank Group.

2. G20, “The G20 Digital Economy Development and Cooperation Initiative”, Hangzhou Summit, September, 2016.

SECTION 3: More Effective and Efficient Global Economic and Financial Governance

The effective response of the G20 to the 2008 financial crisis made it a major platform for generating strategies and reforms for global economic recovery. G20-led initiatives significantly strengthened the financial regulatory architecture and surveillance of the global financial system. At the 2009 London Summit and the 2012 Los Cabos Summit, leaders reached consensus on increasing IMF resources and its lending capacity, hence stabilizing market confidence¹. The G20 also gave impetus to reform of financial governance institutions, which became more inclusive in terms membership so as to better reflect the rising significance of emerging economies². Together with the OECD the G20 made significant progress in setting fair international tax rules and a tax cooperation mechanism³. At the Seoul summit the leaders endorsed the first two-year Action Plan on Anti-Corruption⁴. At the Brisbane Summit, leaders by endorsing the G20 Principles on Energy Cooperation, made the G20 an important actor in global energy governance⁵.

In 2016, concerns about the global impact of China's economic slowdown, worldwide decline in commodity prices and a related slowdown in investment and trade as well as declining capital inflows to developing countries brought stability and resilience of the global financial architecture to the forefront of discussions. At the same time, monetary policy divergence in advanced economies together with growth slowdown in emerging markets shifted the focus to managing capital flow volatility. Similarly, given the sharp drop in commodity prices and tightening in financial conditions, the global community was alerted to monitoring risks of sovereign debt, particularly in low-income countries.⁶

1. G20, G20 Leaders' Statement, London Summit, 2 April 2009; G20, G20 Leaders' Declaration, Los Cabos Summit, 18–19 June 2012.

2. In April 2009, the Financial Stability Forum was renamed the Financial Stability Board (FSB), and its responsibilities as a regulatory coordination body were expanded. Responding to the demands of Leaders in November 2008, membership of the erstwhile FSF expanded to include emerging economies such as China, India, Brazil, and others. The Basel Committee on Banking Supervision expanded its membership from 13 advanced economies to 27 members that included emerging countries. Similarly, China, India, and South Korea joined the Financial Action Task Force on Money Laundering.

3. In September 2009, the Global Forum on Transparency and Exchange of Information for Tax Purposes, consisting of OECD countries and jurisdictions with an aim to implement transparency and exchange of tax information, was restructured in response to the G20's call. The Global Forum had its membership expanded to include G20 countries and offshore jurisdictions. Furthermore, together with the OECD the G20 introduced the Base Erosion and Profit Shifting (BEPS) international taxation package. See: OECD, "the Global Forum on Transparency and Exchange of Information for Tax Purposes", accessed November 2016, <http://www.oecd.org/tax/transparency/>.

4. G20, G20 Leaders' Declaration, Seoul Summit, 11–12 November 2010

5. G20, G20 Leaders' Communique, Brisbane Summit, 15–16 November 2014

6. IMF, World Economic Outlook, October 2016: Subdued Demand: Symptoms and Remedies, (Washington DC: IMF, 2016).

On a positive note, the end of 2015 marked the beginning of the new IMF internal restructuring. First the IMF approved the incorporation of the yuan into the SDR. Then the US Congress finally approved the IMF quota reform that increased the decision-making powers of emerging countries albeit the US still retaining its veto power. The financial system also proved robust amid financial instability at the start of 2016¹. On tackling climate change, the Conference of the Parties (COP) meeting on the UN Framework Convention on Climate Change (UNFCCC) took place in Paris in December 2015 and was a success with 195 countries adopting the first ever legally binding global climate deal.

2016 also saw important developments in global tax and anti-corruption agendas. The leaked documents about tax evasion on the part of companies and individuals across the world, the so-called Panama Papers exposures, made tax transparency and illicit financial flows out of developing countries highly topical.

Against this backdrop, in 2016, the G20 continued with its ambitions to secure global growth through more balanced and effective global economic and financial governance and well-functioning institutions. This agenda complements the G20's short and medium term growth objectives to achieve growth that is stronger, sustainable, balanced and inclusive².

Accordingly, stability and resilience of the global financial architecture, a key focus of the G20 in the aftermath of the 2008 crisis, once again became a central focus of the platform. The G20 promoted institutions and measures that are truly global in scope, inclusive of developed and developing countries and reflecting diversity of perspectives. The G20 encouraged a more stable and resilient international monetary system. It underlined reinforcing the Global Financial Safety Net (GFSN) with an adequately resourced IMF at its center, enhancing the role of SDR as well as managing sovereign debt and monitoring risks. It continued to promote the resilience of the financial sector to shocks through implementation of financial reforms, monitoring and addressing of underlying risks and vulnerability of the financial system.

Furthermore, the G20 emphasized more sustainable and balanced short and medium term growth by calling for greater cooperation on financial inclusion and climate finance as well as by introducing the green finance working group. Related to these issues, the energy governance agenda continued its work on achieving effective and inclusive global energy architecture that better reflects the changing realities of the world's energy landscape and deeper energy collaboration to ensure a cleaner energy future and sustainable energy security. The US and China – two of the biggest emitters – jointly announced their ratification of the Paris climate change accord ahead of the Hangzhou Summit. The two countries also submitted voluntary peer reviews on inefficient fossil fuel subsidies.

Lastly, the G20 agenda underlined international tax cooperation to promote global investment and growth

1. Ibid. and also see: Financial Stability Board, "Chair's Letter to the G20 Finance Ministers and Central Bank Governors", 24 July 2016, <http://www.fsb.org/2016/07/chairs-letter-to-the-g20-finance-ministers-and-central-bank-governors-2/>.

2. G20, "Hangzhou Action Plan", Hangzhou Summit, September 2016.

that is inclusive and reached further consensus on deepening cooperation on corruption.

3.1. The International Financial Architecture

Since 2008, the G20 has promoted a more resilient international financial architecture. All previous G20 summits promoted reforms of the IMF, the World Bank and other international institutions with some reforms completed, while others still in progress. The G20 has also called for greater monetary policy coordination to avoid negative spillovers, and support developing countries. The G20 also gave impetus to increasing IMF resources and its lending capacity in 2009 and 2012 stabilizing market confidence. In 2015, the issue of sovereign debt restructuring processes was for the first time extensively addressed in a G20 leaders' communiqué¹.

In 2016, the Chinese G20 presidency resumed the International Financial Architecture Working Group. The leaders adopted the G20 Agenda Towards a More Stable and Resilient International Financial Architecture to make the international monetary system more stable and resilient. Against emerging risks and vulnerabilities in the global economy, the agenda focused on managing capital flows by enhancing data collection and improving the analytical framework as well as managing sovereign debt restructuring, especially in developing countries. It underlined the need to build resilience by reinforcing the Global Financial Safety Net (GFSN) with an adequately resourced IMF and coordination between IMF and other regional financing arrangements (RFAs) as well as by broadening the use of the Special Drawing Rights (SDR). The agenda also continued to promote further governance reform of international institutions.²

3.1.1. Monitoring Capital Flows

Since the financial crisis, unconventional monetary policies of advanced countries central banks, that constrained interest rates to the zero bound level, led to large and volatile flows to flock to emerging market economies. More recently, monetary policy divergence in advanced economies - as the U.S. Fed embarked on monetary policy normalization while other advanced economies undertook further monetary easing - altered the relative cost of funding in different currencies. This together with the growth slowdown in emerging markets, has shifted the focus to managing capital flow volatility including outflows in some cases³. Possible negative spillovers of a rise of the federal interest rate threatens macroeconomic and financial stability in emerging markets that are already experiencing capital outflows.

1. G20, G20 Leaders' Communiqué, G20 Antalya Summit, 15–16 November 2015.

2. The following discussion on the international financial architecture is based on issues covered in G20, "The G20 Agenda Towards A More Stable and Resilient International Financial Architecture", 2016, <http://www.g20.org/English/Documents/Current/201609/P020160914405291681904.pdf>

3. IMF, World Economic Outlook, October 2016: Subdued Demand: Symptoms and Remedies, (Washington DC: IMF, 2016).

While the US Fed has been signaling a second rate hike in the near future¹, it has so far judged it to be too risky.²

The communique pointed to enhancing data collection and improving the analytical framework for a better understanding of the dynamic and drivers of capital flows. It took note of the IMF's review of country experiences and emerging issues in handling capital flows that will come out at the end of 2016 and of the ongoing review of the OECD Code of Liberalization of Capital Movements.

Since the 2008 crisis, the IMF has shifted its earlier view on capital account liberalization, acknowledging that capital flows carry risks (referred to as the IMF's 2012 Institutional View)³. Similarly, an IMF note submitted to the G20 in 2016 emphasized the need for stronger international policy coordination and collaboration to mitigate the multilateral risks associated with capital flows and how to further promote a more consistent global approach in handling capital flows. Furthermore, the note underlined that "there is . . . no presumption that full [capital flows] liberalization is an appropriate goal for all countries at all times"⁴ as well as circumstances in which capital flow management measures (CFMs) can be useful.

In April 2016, the OECD submitted a report to the G20 on "The OECD Code of Liberalisation of Capital Movements: Recent Developments" emphasized that the OECD Code of Liberalization of Capital Movements does not contradict with the IMF's 2012 Institutional View. While the OECD Code is a binding multilateral framework for cross-border capital flows and the OECD's report to the G20 continued to underline a robust standard for liberalization, the latter also drew attention to a flexible framework for coping with capital flow volatility⁵.

3.1.2. The IMF and Reinforcing the Global Financial Safety Net (GFSN)

The leaders called for cooperation between the IMF and RFAs while "respecting their mandates". They took note of the upcoming joint test run between the Fund and the Chiang Mai Initiative Multilateralisation (CMIM), a multilateral currency swap arrangement among ten members of the

1. In December 2016, the Federal Reserve increased its key interest rate from a range of 0% to 0.25 percent to a range of 0.25% to 0.5%. This was the first rate hike since June 2006 see: Board of Governors of the Federal Reserve System, Press Release, 16 December 2015, <http://www.federalreserve.gov/newsevents/press/monetary/20151216a.htm>

2. Board of Governors of the Federal Reserve System, Press Release, 21 September 2016 <http://www.federalreserve.gov/monetarypolicy/files/monetary20160921a1.pdf>

3. See IMF, "The liberalization and Management of Capital Flows: An Institutional View", IMF Policy Survey Paper, 14 November 2012, <http://www.imf.org/external/np/pp/eng/2012/111412.pdf>.

4. IMF, "Handling Capital Flows— Emerging Issues", IMF Staff Note, June 2016, <http://www.g20.org/English/Documents/Current/201608/P020160811539431852964.pdf>.

5. OECD, "The OECD Code Of Liberalisation Of Capital Movements: Recent Development - OECD Report to the G20", April 2016, accessed November 2016, <http://www.g20.org/English/Documents/Current/201608/P020160811544583182944.pdf>.

Association of Southeast Asian Nations (ASEAN). The test run aims to test the operational readiness of the CMIM facility linked the “IMF linked-portion”. This is the first test run of CMIM’s crisis resolution facilities linked to an IMF program and can help strengthen CMIM’s coordinating mechanism with the IMF.¹

In November 2010, G20 leaders had tasked the G20 finance ministers and central bank governors to explore “ways to improve collaboration between RFAs and the IMF across all possible areas”² which led to non-binding broad principles for cooperation under the G20 Principles for Cooperation between the IMF and Regional Financing Arrangements.³

In 2016, the leaders emphasized “maintaining access to bilateral and multilateral borrowing agreements between members and the IMF.”⁴ This also aims to ensure that the Fund’s current lending capacity is preserved, calling for broader participation of the IMF membership , including through new agreements. The G20 Agenda Towards a More Stable and Resilient International Financial Architecture noted new contributions and bilateral loan resources pledged to the Poverty Reduction and Growth Trust (PRGT) calling on more contributors to participate and underlined further support to commodity exporting countries that were hit by low oil prices, and finally, assistance for countries facing non-financial shocks such as the refugee crisis. Hence, this agenda sought to attract potential borrowers by reducing of the “political stigma” associated with the Fund. It also emphasized “reviewing IMF scoring and ensuring to ensure that the proper incentives for sound policies and for timely exit are in place.”⁵

3.1.3. Enhanced Role of SDR

Noting the IMF’s recent decision to include the renminbi (RMB) into the Special Drawing Right (SDR) currency basket, leaders extended their support for ongoing work in this area in order to enhance resilience of the financial sector. The Chinese RMB joined the SDR basket of reserve currencies on October 1, 2016. The IMF created SDRs as an international reserve asset to supplement IMF member countries’ official reserves. With the inclusion of the RMB their value is now based on five currencies including the US dollar, euro, Japanese yen and British pound.

1. “The Joint Statement of the 19th ASEAN+3 Finance Ministers’ and Central Bank Governors’ Meeting”, Frankfurt, Germany, 3 May 2016, http://www.amro-asia.org/services/view_file.aspx?f=/Files/Communiqués/ASEANplus3/The%20Joint%20Statement%20of%20the%2019th%20AFMGM3%20May%202016%20Frankfurt%20Germany.

2. G20, The Seoul Summit Document, 12 November 2010.

3. G20, “G20 Principles for Cooperation between the IMF and Regional Financing Arrangements - as endorsed by G20 Finance Ministers and Central Bank Governors,” 15 October 2011.

4. G20, G20 Leaders’ Communique, Hangzhou Summit, 4-5 September, 2016.

5. G20, “The G20 Agenda Towards a More Stable and Resilient International Financial Architecture”, G20 China, 2016. <http://www.g20.org/English/Documents/Current/201609/P020160914405291681904.pdf>

The leaders also pointed to the work on broadening the use of the SDR i.e. broader reporting in the SDR and the issuance of SDR-denominated bonds. In view of the latter, the leaders pointed to the World Bank's recent issuance of bonds in the Chinese domestic market that are denominated in SDRs (approximately worth 2.8 billion US dollars or 2 billion SDRs). The World Bank's new program was approved by the People's Bank of China (PBOC) in August, 2016.¹

The leaders also drew attention to the work of international organizations on the development of local currency bond markets, including supporting low-income countries.²

3.1.4. Representation in International Bodies

Building on previous IMF governance reforms, the leaders called for a new IMF quota formula by the 2017 Annual Meetings to reflect "increased shares for dynamic economies in line with their relative positions in the world economy." The leaders underlined the importance of "protecting the voices and the representation of the poorest members."³

The leaders supported the implementation of the World Bank Group's shareholding review in line with the agreed principles and roadmap, with an aim to achieve an equitable voting power over time. The Roadmap for implementation of the Shareholding Review was agreed at the 2015 IMF-WB Annual Meetings. Future discussions will be guided by the agreed shareholding principles, formula guidance, and the package of commitments in the Report to Governors on the Dynamic Formula.⁴

This year, the communique pointed to the Paris Club "as the principal international forum concerning debt restructuring." However, so far the Club includes only rich countries, and so the communique calls for the Club to extend its reach to emerging market creditors. In this regard the leaders welcomed the recent admission of the Republic of Korea and Brazil's decision to join, as well as noting further discussions on China's membership.

1. World Bank, "World Bank Approved as the First SDR Bond Issuer in China", Press Release, 12 August 2016, accessed November 2016, <http://www.worldbank.org/en/news/press-release/2016/08/12/world-bank-approved-as-the-first-sdr-bond-issuer-in-china>

2. The IMF had prepared a note on initial considerations to explore whether a broader role for the SDR could contribute to its smooth functioning, see: IMF, "The Role of the SDR—Initial Considerations", IMF Staff Note for the G20, 15 July 2016, accessed November 2016, <http://www.g20.org/English/Documents/Current/201608/P020160815358210574060.pdf>

3. G20, G20 Leaders' Communique, Hangzhou Summit, 4-5 September, 2016

4. World Bank, "Dynamic Formula - Interim Progress Report to Governors", Prepared by the World Bank Group for the April 16, 2016 Development Committee meeting, DC2016-0003, 25 March 2016 <http://siteresources.worldbank.org/DEVCOMMIT/Documentation/23713874/DC2016-0003-DF.pdf>

3.1.5. Managing Sovereign Debt and Monitoring risks

The leaders underlined the importance of promoting sound and sustainable financing practices and to improve debt structuring processes¹. The G20 Agenda Towards A More Stable and Resilient International Financial Architecture called attention to monitoring risks of sovereign debt, particularly in low-income countries, given the sharp drop in commodity prices and tightening in financial conditions. A focus on sovereign debt in low-income countries was also present in the G20 Action Plan on 2030 Agenda for Sustainable Development (referring to SDG 17; AAAA paras 103, 105-107, 109)².

In 2016, the G20 resolved its commitment to promote orderliness and predictability of sovereign debt restructuring processes. While the leaders' took note of the "progress made to strengthen the orderliness and predictability of the sovereign debt restructuring process" at the Brisbane Summit³, it was not until the Antalya Summit that the issue received extensive coverage in a G20 leaders' communique⁴. In 2016, the issue remained on the leaders' agenda. This indicates that the G20 has acknowledged the shortcomings in the current ad hoc approach to restructuring of sovereign debt.

In recent years, the issue of sovereign debt restructuring has come to the forefront of discussion after the US court's recent decision that forced Argentina to default on its sovereign debt. Amongst those who agree that the current ad hoc approach is insufficient, Brooks and Lombardi (2015) identify three broad approaches on how to tackle uncertainties in sovereign debt restructuring⁵. The first perspective advocates for abinding, statutory framework (e.g. the United Nations General Assembly passed a resolution in 2014 to create a "multilateral legal framework for sovereign debt restructuring"). The second perspective advocates for a market-based, contractual approach in which procedures for restructuring are outlined in contracts when the bond is first issued. The third proposal that has been put forth is the establishment of a "fair and transparent' sovereign debt arbitration process."⁶ Among these three approaches the G20 has

1. Emre Balibek, Abha Prasad, Michael Papaioannou and Eriko Togo, "International Monetary Fund-World Bank Group Technical Assistance Activities on Public Debt Management in Low Income Countries", World Bank Group and International Monetary Fund, August 2016, <http://www.g20.org/English/Documents/Current/201608/P020160811549084793539.pdf>

2. G20, "G20 Action Plan on the 2030 Agenda for Sustainable Development", September 2016.

3. G20, G20 Leaders' Communique, Brisbane Summit, 15-16 November 2014.

4. G20, G20 Leaders' Communique, Antalya Summit, 15-16 November 2015, Para 18: "We welcome the progress achieved on the implementation of strengthened collective action and pari passu clauses in international sovereign bond contracts, which will contribute to the orderliness and predictability of sovereign debt restructuring processes. We ask the IMF, in consultation with other parties, to continue promoting the use of such clauses and to further explore market-based ways to speed up their incorporation in the outstanding stock of international sovereign debt. We look forward to the upcoming review of the IMF-WB Debt Sustainability Framework for Low-Income Countries. We acknowledge the existing initiatives aimed at improving sustainable financing practices, as stressed in the Addis Ababa Action Agenda. We also take note of the Paris Forum initiative, which contributes to further the inclusiveness by fostering dialogue between sovereign debtors and creditors."

5. For further discussion see Skylar Brooks and Domenico Lombardi, "Sovereign Debt Restructuring: Issues Paper", Centre for International Governance Innovation (CIGI) Papers No. 64, April 2015.

6. Ibid.

taken up the second one.

In 2016, leaders supported the continued effort to incorporate enhanced contractual clauses into sovereign bonds. The G20 asked the IMF to report on the cost and feasibility of the incorporation of the enhanced clauses in the existing stock of debt and committed to examine additional measures taken by some jurisdictions to smooth the sovereign debt restructuring processes.¹

At the same time, the G20 asked the IMF and other interested countries to provide further analysis of state contingent debt instruments including GDP-linked bonds, as a way to balance sustainability and stability and to report back on these issues to G20 finance ministers and central bank governors in 2017.²

3.2. Financial Reform Agenda

In the wake of the global financial crisis, the G20 launched a comprehensive financial reform programme to increase the resilience of the global financial system. The Financial Stability Board (FSB) was established by the G20 in 2009 to coordinate the development of this programme and monitor its implementation. The reform programme that covers a broad range of issues involving banks and other types of financial institutions and financial markets includes four core elements: making financial institutions more resilient; ending too-big-to-fail (TBTF); making derivatives markets safer; and transforming shadow banking into resilient market-based finance.

In 2016, leaders committed to finalizing remaining elements of the regulatory framework and the implementation of the agreed financial sector reform agenda, including Basel III and the total-loss-absorbing-capacity (TLAC) standard as well as effective cross-border resolution regimes. They committed to continue monitoring, and addressing emerging risks and vulnerabilities in the financial system including shadow banking, asset management and other market-based finance as well as the decline in correspondent banking services. Finally, leaders drew attention to deepening cooperation on financial inclusion with an emphasis on digital financial inclusion.

The following highlights those aspects the financial reform agenda, which the communiqué emphasized. The FSB's second annual report to the G20 in 2016 gives a detailed account on the progress of implementation and effects of regulatory reforms including key issues and challenges (such as unintended

1. G20, "The G20 Agenda Towards A More Stable and Resilient International Financial Architecture", G20 China, 2016, accessed November 2016, <http://www.g20.org/English/Documents/Current/201609/P020160914405291681904.pdf>.

2. In 2016, experts from the Bank of England prepared a note with contributions of the Banco Central de la República Argentina and the Bank of Canada, see: Bank of England, "Making a reality of GDP-linked sovereign bonds", Note authored by Bank of England staff with contributions from the Banco Central de la República Argentina on the Argentine experience with GDP-linked warrants and the Bank of Canada on sovereign CoCos, G20 China, 2016, accessed November 2016, <http://www.g20.org/English/Documents/Current/201608/P020160819308909135134.pdf>.

consequences of reforms) that require high level attention .¹

3.2.1. Finalizing the Basel III Framework

In its 2nd Annual Report, “Implementation and Effects of the G20 Financial Regulatory Reforms”, the FSB noted that the main elements of the financial reform agenda have been agreed and their implementation is underway. Some policy work is still ongoing, most notably the Basel Committee on Banking Supervision (BCBS) is working to finalize certain elements of the Basel III framework, which is expected to be completed by the end of 2016. The FSB report noted that the BCBS will not recommend a significant increase in overall capital requirements across the banking sector. The leaders agreed that the Basel III framework should not lead to a significant increase in overall capital requirements. The imposition of stringent capital adequacy requirements for banking institutions has been criticized for increasing lending rates and thus lower lending volumes.

3.2.2. Ending Too-big-to-fail

The leaders committed to continue to work on ending too-big-to-fail of systemically important financial institutions (SIFI) by addressing the issue of systemic risk within the insurance sector including the development of an Insurance Capital Standard (ICS) for internationally active insurers. The FSB report noted that the first version of the ICS will be issued in 2017 and that its implementation will start in 2020.

3.2.3. Making Derivatives Markets Safer

The communiqué emphasized cross border cooperation to ensure the implementation of OTC derivatives markets reforms. Leaders committed to removing legal and regulatory barriers to the reporting of OTC derivatives to trade repositories and to authorities’ appropriate access to such data. The FSB report noted that in many jurisdictions trading frameworks are relatively undeveloped. It underlined that the availability and use of trade repositories (TRs) is expanding and more work is required to ensure that trade reporting is effective.

The communiqué called on members to close gaps in the implementation of the Principles for Financial Market Infrastructures. On central counterparties (CCPs) - a type of financial market infrastructure -, the leaders welcomed reports by the Committee on Payments and Market Infrastructures, International Organization of Securities on enhancing their resilience, recovery planning and resolvability. Central counterparties (CCPs) are increasingly used to clear OTC derivatives contracts to reduce contagion risk among market participants. However, it is critical that CCPs themselves are subject to regulatory oversight

1. FSB, “Implementation and Effects of the G20 Financial Regulatory Reforms”, Financial Stability Board 2nd Annual Report, 31 August 2016.

and supervisory requirements, and are resolvable without recourse to the use of taxpayer funds.

3.2.4. Effective Macroprudential Policies

The communique emphasized effective macroprudential policies that aim at containing risks across the financial system as a whole taking note of the report published by the IMF, FSB and Bank for International Settlements (BIS) “Elements of Effective Macroprudential Policies: Lessons from International Experience.” The report reviewed international experiences of macroprudential policies, system-wide monitoring, and tools to address financial stability risks to help inform effective macroprudential policies¹.

3.2.5. Emerging Risks and Vulnerabilities in the Financial System

Leaders committed to continue monitoring, and addressing emerging risks and vulnerabilities in the financial system including shadow banking, asset management and other market-based finance.

The leaders called attention the FSB’s policy recommendations to address structural vulnerabilities from asset management activities. The FSB has been monitoring potential financial stability risks from structural vulnerabilities associated with asset management activities since 2015. The asset management sector has been growing rapidly in the past decade, covering 40 percent of global financial system assets in 2014².

3.2.6. Addressing the Decline in Correspondent Banking Services

The recent trend in banking of cutting back correspondent banking relationships can lead to fragmentation of cross-border payment networks, narrow the range of available options for transactions and drive some payment flows underground, with potential consequences on remittances, financial inclusion, as well as the stability and integrity of the financial system. Among reasons cited for the decline in correspondent banking services are rising costs and uncertainty about regulatory compliance (i.e. costs related to global anti-money laundering and countering the financing of terrorism (AML/CFT) compliance, to extent to which banks need to know their customers’ customers - the so-called “KYCC”)³.

In November 2015, the FSB gave a report to the G20 on actions to be taken to assess and address the

1. IMF-FSB-BIS, “Elements of Effective Macroprudential Policies: Lessons from International Experience”, International Monetary Fund, Financial Stability Board and Bank for International Settlements joint report, 31 August 2016, <http://www.imf.org/external/np/g20/pdf/2016/083116.pdf>

2. FSB, “Proposed Policy Recommendations to Address Structural Vulnerabilities from Asset Management Activities”, Financial Stability Board Consultative Document, 22 June 2016, <http://www.fsb.org/wp-content/uploads/FSB-Asset-Management-Consultative-Documents.pdf>.

3. Committee on Payments and Market Infrastructures (CPMI), “Correspondent banking – Consultative report”, Bank for International Settlements, Committee on Payments and Market Infrastructures, October 2015, <http://www.bis.org/cpmi/publ/d136.pdf>.

decline in correspondent banking¹. In 2016, the leaders pointed to the FSB-coordinated action plan in addressing the decline in correspondent banking services. A critical area in the FSB-coordinated action plan, also underlined by leaders in 2016, is clarification of regulatory expectations. Leaders also asked G20 members, the IMF and the World Bank to intensify their efforts towards building domestic capacity to help countries improve their compliance with AML/CFT and prudential standards.

3.2.7. Cooperation for Financial Inclusion and SME Financing

The primary goal of financial inclusion is to provide access to financial services, especially to low-income groups, at affordable costs. In September 2009 Pittsburgh, the G20 formed the G20 Financial Inclusion Experts Group (FIEG) “to identify lessons learned on innovative approaches to providing financial services, promote successful regulatory and policy approaches and elaborate standards on financial access, financial literacy, and consumer protection.”² At the Toronto Summit in 2010, the leaders endorsed the G20 Principles for Innovative Financial Inclusion, which were formed by the FIEG. At the Seoul Summit in 2010, the leaders endorsed the G20 Financial Inclusion Action Plan and set up the Global Partnership on Financial Inclusion (GPFI) to coordinate and implement it. Additional commitments have been made by G20 Leaders since 2010 that have been incorporated into the Action Plan³.

In 2015, the G20 Leaders endorsed the G20/OECD High-Level Principles on SME Financing and the G20 Action Plan on SME Financing at the Antalya Summit and called for work to identify effective approaches to facilitate the implementation of the Principles. (See Section 5.6.3 Exploring Diversified Financing Approaches and Fostering Private Financing for Investment)

At the Hangzhou Summit, leaders drew attention to deepening cooperation on financial inclusion emphasizing digital financial inclusion, a priority of the GPFI in 2016. To this end, the leaders endorsed the G20 High-level Principles for Digital Financial Inclusion⁴ and the updated version of the G20 Financial Inclusion Indicators. In the Hangzhou Action Plan, the G20 asked the GPFI to review the G20 Financial Inclusion Action Plan in 2017 and update the G20 Financial Inclusion Indicators on a regular basis (the GPFI is also to support IOs in collecting high quality country-level data).⁵ The Hangzhou Action

1. FSB, “Report to the G20 on actions taken to assess and address the decline in correspondent banking”, Financial Stability Board, 6 November 2015, <http://www.fsb.org/wp-content/uploads/Correspondent-banking-report-to-G20-Summit.pdf>.

2. G20, G20 Leaders Statement, Pittsburgh Summit, 24-25 September, 2009.

3. GPFI, “G20 Financial Inclusion Action Plan Progress Report 2010-2014”, Global Partnership for Financial Inclusion (GPFI), 2 March 2015,

<http://www.gpfi.org/sites/default/files/documents/G20%20FIAP%20Progress%20Report%202010-2014.pdf>.

4. G20/GPFI, “G20 High-Level Principles for Digital Financial Inclusion”, G20 China and Global Partnership for Financial Inclusion (GPFI), 2016, <http://www.gpfi.org/sites/default/files/documents/G20%20High%20Level%20Principles%20for%20Digital%20Financial%20Inclusion%20-%20Full%20version-.pdf>

5. G20, “Hangzhou Action Plan”, Hangzhou Summit, September, 2016.

Plan also underlined the effectiveness of financial literacy and capability programs drawing attention to the upcoming “G20/OECD Report on Financial Literacy among G20 Members”.

The leaders also endorsed the Implementation Framework of the G20 Action Plan on SME Financing following up on the 2015 G20 agenda. This is a self-assessment framework composed of a questionnaire covering the three priority reform measures in the G20 Action Plan on SME Financing¹: 1. Improvements of the credit reporting framework for SMEs 2. Reforms that allow banks and non-banks to lend to SMEs against movable collateral 3. Insolvency reforms.² (See Section 5.6.3 Exploring Diversified Financing Approaches and Fostering Private Financing for Investment)

3.3. Climate Change and Transition to a Green Global Economy

G20 countries collectively account for three-quarters of global greenhouse gas emissions³. The G20 leaders committed to address climate change at their first Summit in Washington. Their focus on the issue expanded at the London Summit in April 2009 when they committed to “address the threat of irreversible climate change, based on the principle of common but differentiated responsibilities.”⁴ At the Pittsburgh Summit in 2009 leaders committed to phasing out fossil fuel subsidies, a commitment that they have reaffirmed in each communiqué ever since.

Under the Mexican G20 presidency in 2012, the Climate Finance Study Group (CFSG) was established to explore ways for effectively mobilizing resources for climate finance taking into account the objectives, provisions and principles of the UN Framework Convention on Climate Change (UNFCCC), which is the key international forum for climate change negotiations and decision-making. The study group was given the task to ensure that the Green Climate Fund –a fund within the UNFCCC framework to assist developing countries in climate adaptation and mitigation practices - is operationalized and is able to quickly start disbursing funding to developing countries⁵.

1. The G20 also took note of the first country self-assessment about to take place within this Framework. Also see: G20/OECD, “Progress Report on the Development of Effective Approaches to Support the Implementation of the G20/OECD High-Level Principles on SME Financing”, OECD, July 2016, <http://www.g20.org/English/Documents/Current/201608/P020160815368268980044.pdf>

2. G20, “G20 SME Finance Action Plan Implementation Framework: Credit Infrastructure Country Self-Assessment”, G20 China, June 2016.

3. United Nations, “Paris Climate Summit Must Balance Leadership Role of Developed Countries, Responsibility of Developing Ones, Says Secretary-General at G20 Meeting”, Secretary-General Press Release, 15 November 2015, accessed November 2016, <http://www.un.org/press/en/2015/sgsm17327.doc.htm>.

4. G20, *G20 Leaders’ Statement*, London Summit, 2 April 2009.

5. G20, *G20 Finance Ministers and Central Bank Governors Communique*, Washington DC, April 2012, Para 13: “We will continue to work on climate finance with the establishment of a G20 study group to consider ways to effectively mobilize resources and support the operationalization process of the Green Climate Fund taking into account the objectives, provisions and principles of the UNFCCC.”

In 2016, there was a continuation of the emphasis on making climate finance to developing countries more efficient and transparent. Furthermore, the Chinese presidency brought new momentum to addressing challenges of environment and climate change, by setting up a green finance study group to support the transition to a green global economy. The green finance agenda is to mobilize private capital for green investments. It is also closely related to the infrastructure agenda for facilitating quality projects. (See Section 5.6.1 Strengthening the Role of MDBs and Calling on Them to Take Joint Actions to Further Support High Quality Infrastructure Investment)

3.3.1 Climate Finance to Developing Countries¹

In 2016, the leaders underlined the necessity of developed countries to fulfill their UNFCCC commitment to provide financial resources to developing countries for both mitigation and adaptation actions in line with Paris outcomes. Accordingly, they reaffirmed the supportive role of the Green Climate Fund.

The leaders called attention to the report prepared by the G20 the CFSG on “Promoting Efficient and Transparent Provision and Mobilization of Climate Finance to Enhance Ambition of Mitigation and Adaptation Actions”.² The report is a summary of the views and experiences of CFSG country members on key questions on climate finance and its implementation which they provided on a voluntary basis.^{3 4}

3.3.2 Cooperation for Green Finance and Mobilizing Private Capital

“Green finance” refers to financing of investments that provide environmental benefits in the broader context of environmentally sustainable development. Yet, a small fraction of bank loans are exclusively classified as green in accordance with national definitions while less than 1 percent of global bonds are labeled green and less than 1 percent of the holdings by global institutional investors are green infrastructure assets.⁵

1. In the communique, climate finance is discussed under the heading of “Further Significant Global Challenges Affecting the World Economy.”

2. G20, “Promoting efficient and transparent provision and mobilization of climate finance to enhance ambition of mitigation and adaptation actions”, Climate Finance Study Group (CFSG) Report, G20 China, June 2016.

3. The questions that were provided to CFSG members in the CFSG report were: “How to better take into account developing countries’ country-driven strategies, priorities and needs when providing and mobilizing scaled-up climate finance for them? How to promote efficient usage of financial instruments, access to financial resources and coordination and delivery of these? How to improve transparency on climate finance? How to leverage private climate finance flows with public funds at the international and national level? How to improve enabling environments to facilitate enhanced provision, mobilization and utilization of climate finance and enhanced ambition for mitigation and adaptation? How to facilitate technology development, innovation and transfer and capacity-building support?” Ibid.

4. In 2016, the Climate Finance Study Group also prepared a report on “Mainstreaming climate change considerations into international public finance with a view to maximizing sustainable development & climate co-benefits.”

5. G20, “G20 Green Finance Synthesis Report”, Green Finance Study Group (GFSG), G20 China, 15 July 2016. The GFSG’s data sources are IFC for green loans, CBI for green bonds, SSE for green equities, and OECD for green infrastructure investment.

In 2016, the Chinese G20 presidency launched the G20 Green Finance Study Group (GFSG) with an aim to “identify institutional and market barriers to green finance, and based on country experiences, develop options on how to enhance the ability of the financial system to mobilize private capital for green investment.”¹

The leaders underlined the need to scale up green financing and welcomed the G20 Green Finance Synthesis Report prepared by the GFSG. The report highlighted that green finance could facilitate the growth of high-potential green industries as well as promote technological innovation.

On the other hand, the GFSG report noted that insufficient recognition of financial risks due to environmental factors may pose a challenge to the soundness and safety of financial institutions. It underlined that traditional approaches by financial institutions to incorporate environmental factors into risk management systems may be inadequate given the new scales and interconnectedness of environmental risks. To address such financial risks, at the request of the G20, the Financial Stability Board (FSB) had launched the Task Force on Climate-related Financial Disclosures (TCFD) in December 2015. The TCFD is an industry-led initiative “to develop voluntary, consistent climate-related financial risk disclosures for use by companies in providing information to lenders, insurers, investors and other stakeholders.”² The Task Force is expected to deliver final recommendations to the FSB at the end of December 2016.

At Hangzhou, the leaders highlighted five challenges to green finance. Some of these are unique to green projects, such as difficulties in internalizing environmental externalities i.e. inadequate compensations for positive externalities of green projects, inadequate penalties for negative externalities of polluting projects and inadequate price signals; lack of clarity in green definitions i.e. of green loans, assets and bonds; information asymmetry e.g., between investors and recipients; lack of info and monitoring on use of proceeds, lack of info on environmental impacts and risks of assets; and inadequate analytical capacity to assess impact on credit risk and of asset valuation. On the other hand, the challenge of maturity mismatch is generic to most long-term projects.³ Maturity mismatch is a challenge in some markets where banks are constrained in providing sufficient long-term funding relative to the demand for funding by long-term projects.

The leaders embraced the voluntary options developed by the GFSG towards enhancing the ability of the financial system to mobilize private capital for green investment. These seek “to provide strategic policy signals and frameworks, promote voluntary principles for green finance, expand learning networks for capacity building, support the development of local green bond markets, promote international

1. Ibid.

2. The Task Force on Climate-related Financial Disclosures (TCFD)”, accessed November 2016, <https://www.fsb-tcfd.org/>

3. G20, “G20 Green Finance Synthesis Report”, Green Finance Study Group (GFSG), G20 China, 15 July 2016.

collaboration to facilitate cross-border investment in green bonds, encourage and facilitate knowledge sharing on environmental and financial risks, and improve the measurement of green finance activities and their impacts”¹.

3.4. Energy agenda

The energy agenda was first addressed by the G20 at the Washington 2008 Summit when the leaders committed to addressing critical challenges including energy security and climate change². At the Pittsburgh G20 Summit in 2009 leaders committed to phasing out fossil fuel subsidies³, a commitment they reaffirmed in each communique ever since. The International Energy Agency (IEA) has also played a supporting role since 2009. Beginning in 2011, G20 began to focus on cooperation to tackle price volatility in international oil, natural gas and coal markets. At the Seoul Summit in 2010 and the Los Cabos summit in 2012 leaders promoted clean energy investment⁴.

Furthermore, between 2009 and 2011, the G20 established four energy working groups to organize its energy work: (1) the “fossil fuel subsidies” working group, (2) the “fossil fuel price volatility” working group; (3) “global marine environment protection” working group⁵ and (4) the “clean energy and energy efficiency” (C3E) working group. The first two working groups report to the G20 Finance Deputies and Finance Ministers while the latter two work with the G20 Sherpas.⁶ In 2013, the Russian G20 presidency established the Energy Sustainability Working Group to incorporate previous activities in several different G20 working settings⁷ to provide greater coherence for the G20’s work.⁸

The energy agenda gained momentum at the Brisbane Summit in 2014 when the leaders endorsed the G20 Principles on Energy Cooperation, whereby G20 was ensured a role in global energy governance. The principles cover a range of issues from rendering international energy institutions more representative and

1. G20, *G20 Leaders’ Communique*, Hangzhou Summit, 4-5 September 2016.

2. G20, Declaration of the Summit on Financial Markets and the World Economy, Washington DC Summit, 15 November 2008.

3. G20, G20 Leaders Statement, Pittsburgh Summit, 24-25 September 2009.

4. Alex He, “China And Global Energy Governance under the G20 Framework”, Centre for International Governance Innovation (CIGI) Papers No. 98, March 2016, https://www.cigionline.org/sites/default/files/paper_no.98web.pdf

5. Created in the wake of the BP oil spill in the Gulf of Mexico.

6. Thijs Van de Graaf, Kirsten Westphal, “The G8 and G20 as Global Steering Committees for Energy Opportunities and Constraints”, *Global Policy*, Volume 2, Special Issue, September 2011, https://www.researchgate.net/publication/230257620_The_G8_and_G20_as_Global_Steering_Committees_for_Energy_Opportunities_and_Constraints.

7. These include Energy and Commodity Markets Working Group , Clean Energy and Energy Efficiency Working Group , Global Marine Environment Protection Initiative but excluding Climate Finance issues.

8. G20, “Progress Report of the G20 Energy Sustainability Working Group”, Prepared by the Energy Sustainability Working Group (ESWG) Co-Chairs for the Sherpas Meeting 24-26 July 2013, accessed November 2016, <http://ru.g20russia.ru/load/783530387>

inclusive to facilitating energy market transparency and enhancing coordination between international energy institutions to issues related to energy access, energy efficiency, energy security, inefficient fossil fuel subsidies, innovative energy technologies and clean energy¹.

In 2015, the Turkish G20 presidency prioritized access to energy in Sub Saharan Africa with a focus on electricity access². At the first G20 Energy Ministerial Meeting in 2015 the energy ministers focused on sustainable energy access, energy efficiency and renewables, highlighting the UN 2030 agenda and the Paris Agreement in 2015 in energy discussions³.

In 2016, as a significant energy-importing country, China first focused on sustainable energy issues. To this end, the Chinese G20 presidency's agenda included advancing the implementation of the G20 Principles of Energy Collaboration and strengthening cooperation on energy access, renewable energy and energy efficiency to ensure green, balanced and sustainable development.⁴ The second G20 Energy Ministerial Meeting held on 29-30 June, 2016 in Beijing addressed the theme of Shaping a Low-carbon, Smart and Sharing Energy Future and concluded with a communiqué and three affiliated documents on energy access in Asia and the Pacific, renewable energy, and energy efficiency.^{5,6}

In the communiqué, the leaders underlined a sustainable and low greenhouse gas (GHG) emissions energy future while utilizing energy sources and technologies. At issue was a greater focus on technology, in line with China's priority of innovation in the G20 agenda. The G20 Energy Efficiency Leading Programme (EELP) adopted by the leaders included technology related cooperation areas. Furthermore, the Chinese presidency in 2016 put forth the G20 Voluntary Action Plan on Renewable Energy. The leaders also endorsed natural gas classifying it as "less emission-intensive fossil fuel."

Second, the Chinese G20 presidency continued the Turkish Presidency's focus on energy access to

1. G20, "G20 Principals on Energy Collaboration", G20 Australia, 16 November, 2014.

2. G20, "Progress During Turkey's 2015 G20 Presidency", G20 Turkey, 2015, accessed November 2016, <http://bern.emb.mfa.gov.tr/images/localCache/12/786adaf9-db8f-4816-8b1d-a4a92f915466.pdf>.

3. European Commission, "G20 Energy Minister Meeting Focuses on Sustainable Energy Access, Energy Efficiency and Renewables", European Commission news release, 2 October, 2015, accessed November 2016, <https://ec.europa.eu/energy/en/news/g20-energy-ministers-meeting-focuses-sustainable-energy-access-energy-efficiency-and-renewables>

4. Andreas Kraemer, "Energy in the G20 Financial Track –G20 Energy Transformation During the German Presidency", Centre for International Governance Innovation (CIGI) Policy Brief, September, 2016, https://www.cigionline.org/sites/default/files/pb_no.86web.pdf.

5. The meeting adopted the G20 Energy Ministerial Meeting Beijing Communiqué, and 3 affiliated documents, namely Enhancing Energy Access in Asia and the Pacific: Key Challenges and G20 Voluntary Collaboration Action Plan, G20 Voluntary Action Plan on Renewable Energy and G20 Energy Efficiency Leading Programme. The leaders endorsed the 3 documents and asked the G20 energy ministers to meet regularly to follow up on the implementation of these plans.

6. G20, *G20 Energy Ministerial Meeting Beijing Communiqué*, Beijing, 29 June 2016.

developing countries with an emphasis on electricity access¹ with slight additions. In this relation, the electricity access agenda expanded to include the Asia Pacific region; better regional connections for energy investment projects was prioritized. The latter is part of the Chinese G20 presidency's emphasis on enhancing cross-border infrastructure investments, especially in developing countries. (See Section 5.6.2. Promoting Global Infrastructure Connectivity). Furthermore, the G20 Initiative on Supporting Industrialization in Africa and LDCs includes promoting investment in renewable energy and energy efficiency. (See Section 5.2.2. Voluntary Policy Options to Promote Industrialization in Africa and Low-income Developing Countries (LDCs))

3.4.1. Energy Efficiency

The IEA defines energy efficiency as “a way of managing and restraining the growth in energy consumption” and something as “more energy efficient if it delivers more services for the same energy input, or the same services for less energy input.”² Hence, energy efficiency assumes the optimum utilisation of energy resources. At the Brisbane Summit in 2014, the leaders adopted the G20 Energy Efficiency Action Plan (EEAP), a voluntary collaboration among G20 countries to share best practices and technical resources on six work streams - on Vehicles, particularly heavy-duty vehicles, Networked Devices, Finance, Buildings, Industrial Processes (Industrial energy management), and Electricity Generation. Finance; Network Devices; Vehicles; Buildings; Industrial Management; and Electricity Generation³. In 2015, G20 energy ministers endorsed the Voluntary Energy Efficiency Investment Principles for Participating Countries for transport, buildings, products, finance, industry and electricity generation.⁴

In 2016, the leaders encouraged members to improve energy efficiency based on their specific needs and national circumstances and to “promote energy conservation through appropriate lifestyle changes.” The leaders endorsed the G20 Energy Efficiency Leading Programme (EELP). In light of the G20 Energy Efficiency Action Plan (EEAP), the EELP aims to provide a basis for “the comprehensive, flexible, and adequately-resourced long term framework to support G20 voluntary collaboration on energy efficiency.”⁵

1. At present, 1.1 billion people in the world have no access to electricity. Energy poverty is another serious challenge to the developing countries.

See: Chinese G20 Presidency, “Theme and Key Agenda Items of the G20 Summit in 2016”, accessed November 2016, <http://www.g20.org/English/China2016/G202016/201512/P020151210392071823168.pdf>

2. International Energy Agency (IEA), “Energy Efficiency”, accessed November 2016, <https://www.iea.org/topics/energyefficiency/>

3. G20, “The G20 Energy Efficiency Action Plan (EEAP): Voluntary Collaboration of Energy Efficiency”, G20 Australia, 16 November 2014, https://www.g20.org.tr/wp-content/uploads/2014/12/g20_energy_efficiency_action_plan.pdf

4. G20 Energy Efficiency Finance Task Group (EEFTG), “Voluntary Energy Efficiency Investment Principles for G20 participating countries”, G20 Energy Efficiency Finance Task Group (EEFTG), G20 Turkey, 2015, <http://www.unepfi.org/fileadmin/energyefficiency/EnergyEfficiencyInvestmentPrinciples.pdf>

5. G20, “The G20 Energy Efficiency Leading Programme (EELP)”, G20 China, 2016.

Furthermore, the Programme introduces five new key areas of collaboration (in addition to the existing six work streams under the EEAP): Super-efficient Equipment and Appliances Deployment initiative (SEAD), Best Available Technologies and Practices (TOP TENS), District Energy Systems (DES), Energy Efficiency Knowledge Sharing Framework, and Energy End-Use-Data and Energy Efficiency. The International Partnership for Energy Efficiency Cooperation (IPEEC)¹ will be the key coordinating agency for the EELP. It will corporate with other international organizations including IEA, IEF, OPEC, OECD, APEC, BRICS, SE4ALL and C2E2.^{2,3} Related to this, the leaders committed themselves to explore innovative collaborative arrangements for international cooperation on energy efficiency.

At the same time, the leaders embraced the progress in six key areas in the G20 Energy Efficiency Action Plan (EEAP), particularly in heavy duty vehicles, and improving the efficiency of these vehicles. They drew attention to the fact voluntary collaboration took into consideration national circumstances and the policies outlined in the G20 Energy Efficiency Leading Programme (EELP).

3.4.2. Inefficient Fossil Fuel Subsidies that Encourage Wasteful Consumption

At the Pittsburg Summit in 2009 leaders committed to phasing out fossil fuel subsidies, a commitment that they have reaffirmed in each communique ever since. At the 2012 Los Cabos Summit, a voluntary fossil fuel subsidy peer review process was established.⁴

In the light of their previous commitments since 2009, the leaders reaffirmed their commitment “to rationalize and phase-out inefficient fossil fuel subsidies over the medium term, which are thought to encourage wasteful consumption, while at the same time recognizing the need to support the poor”⁵.

Further, leaders encouraged G20 countries to consider participating in the voluntary peer review process on inefficient fossil fuel subsidies. In 2016, the US and China have submitted voluntary peer reviews.

1. IPEEC is an inter-governmental partnership founded in 2009 by the Group of 8 (G8) to promote collaboration on energy efficiency. Today, 16 G20 countries are its members.). IPEEC members as of November 2016 are Australia, Brazil, Canada, China, the European Union, France, Germany, India, Italy, Japan, Mexico, Russia, South Africa, South Korea, United Kingdom and United States. Turkey is currently in the process of joining IPEEC. Turkey is in the process of joining . The IEA hosts the IPEEC Secretariat. See: “International Partnership for Energy Efficiency Cooperation”, accessed November 2016, <http://www.ipeec.org/cms/2-members-.html>.

2. The International Energy Agency (IEA), the International Energy Forum (IEF), the Organisation of the Petroleum Exporting Countries (OPEC), the Organisation for Economic Cooperation and Development (OECD), the Asia-Pacific Economic Cooperation (APEC), Sustainable Energy for All (SE4ALL), Copenhagen Centre on Energy Efficiency (C2E2).

3. G20, “The G20 Energy Efficiency Leading Programme (EELP)”, G20 China, 2016.

4. G20, *G20 Leaders’ Declaration*, Los Cabos Summit, 18–19 June 2012.

5. G20, *G20 Leaders’ Communique*, Hangzhou Summit, 4-5 September 2016.

3.4.3. Clean Energy

Clean energy arguably refers to energy sources that do not pollute the atmosphere. In 2016, the energy ministers identified “meaningful options for clean energy for countries with diverse energy realities”.¹ According to the G20 Energy Ministers Meeting Communiqué, these included use of renewable energy (e.g. solar, wind), natural gas and nuclear power as well as use of advanced and cleaner fossil fuel technologies.

In 2015, the leaders endorsed the G20 Toolkit of Voluntary Options for Renewable Energy Deployment with the objective of accelerating renewable energy growth through joint action.² The G20 asked the International Renewable Energy Agency (IRENA) to co-ordinate the implementation of the Toolkit in co-operation with other international organisations including the IEA, the OECD, the Organization of the Petroleum Exporting Countries (OPEC) and the World Bank.

Under the Chinese presidency in 2016, the G20 Voluntary Action Plan on Renewable Energy was put forth to develop Toolkit activities in terms of further accelerating deployment. The leaders endorsed the G20 Voluntary Action Plan on Renewable Energy. The ministers will continue to implement the G20 Toolkit of Voluntary Options on Renewable Energy Deployment. The ministers also underlined the necessity of reducing costs in renewable technologies and power system integration of variable renewables. In order to reduce deployment costs of renewable energy, G20 proposed “cooperation on knowledge sharing, capacity building, technology transfer, financial innovation and pilot projects”³.

In addition to renewables, natural gas was central to clean energy options this year. The leaders noted that natural gas is a less emission-intensive fossil fuel. They committed to “enhance collaboration on solutions that promote natural gas extraction, transportation, and processing in a manner that minimizes environmental impacts”.⁴ In recognition of the importance attached to natural gas in 2016, the first “G20 Natural Gas Day” was held alongside the Energy Ministers’ Meeting⁵.

3.4.4. Energy Access

In 2015, the G20 Leaders endorsed the G20 Energy Access Action Plan: Voluntary Collaboration on

1. G20, *G20 Energy Ministerial Meeting Beijing Communiqué*, Beijing, 29 June 2016.

2. G20, “G20 Toolkit of Voluntary Options for Renewable Energy Development”, G20 Turkey, 2015, http://www.irena.org/documentdownloads/Pressrelease/G20_Toolkit.pdf

3. G20, *G20 Energy Ministerial Meeting Beijing Communiqué*, Beijing, 29 June 2016.

4. G20, G20 Leaders’ Communique, Hangzhou Summit, 4-5 September, 2016

5. “G20 Natural Gas Day: IGU and National Energy Administration of China co-host high-level G20 event”, International Gas Union news release, 5 July 2016, accessed November 2016, <http://www.igu.org/news/g20-natural-gas-day-igu-and-national-energy-administration-china-co-host-high-level-g20-event>

Energy Access. This agenda was expanded in 2016 beyond Sub-Saharan Africa to include the Asia-Pacific region. To ensure access, the energy ministers adopted the Enhancing Energy Access in Asia and the Pacific: Key Challenges and G20 Voluntary Collaboration Action Plan. This framework identified a set of key challenges to achieve universal energy access in the Asia-Pacific underlining that technological options need to be tailored to take advantage of domestic available sources. The ministers also prioritized action in the cooking energy sector across Sub-Saharan Africa and the Asia-Pacific region, by promoting clean cooking technologies.

Similarly, the leaders' communique emphasized “access to affordable, reliable, clean, sustainable and modern energy services”¹, particularly addressing barriers to electricity access working with Sub-Saharan and Asia-Pacific countries.

3.4.5. Energy Security

Energy security, as defined by the IEA, is “the uninterrupted availability of energy sources at an affordable price”. This definition includes long-term energy security that is related to ensuring supply of energy through timely investments as well as short-term energy security that deals with the ability of the energy system to respond to sudden changes in the supply-demand balance market. The IEA's energy security agenda promotes diversity, efficiency and flexibility within all energy sectors².

The leaders' communique highlighted the need for further investment in energy projects and better regional connection, particularly in sustainable energy projects to enable energy security and to contain price fluctuations. They also stressed the significance of diversity in energy sources and energy routes. In addition, the energy ministers pointed to the importance of well-functioning markets as well as to cooperation and dialogue on issues such as emergency response measures.

3.4.6. Global Energy Architecture and Governance

The global energy sector has been transforming rapidly. Emerging markets, especially China, have become major consumers while there has also been shifts in traditional exporters. Constraints related to climate change and opportunities presented by rapid technological transformation are further complicating the global energy market. There is a common understanding that the existing global energy governance architecture, dominated by the IEA, has not kept up pace with these developments³. The IEA treaty

1. G20, G20 Leaders' Communique, Hangzhou Summit, 4-5 September, 2016.

2. International Energy Agency (IEA), “Energy security”, accessed November 2016, <https://www.iea.org/topics/energysecurity/>.

3. For instance, Alex He, “China And Global Energy Governance under the G20 Framework”, Centre for International Governance Innovation, Centre for International Governance Innovation (CIGI) Papers No. 98, March 2016; Neil Hurst and Antony Frogatt, “The Reform of Global Energy Governance”, Grantham Institute for Climate Change, Discussion Paper No. 3, December 2012; Iana Dreyer and Gerald Stang, “Energy moves and power shifts; EU foreign policy and global energy security”, ISS Report, no. 18, Paris, EU Institute for Security Studies, February 2014.

has been limited to OECD membership. One positive development in 2015 was the Activation of IEA Association whereby China, Indonesia and Thailand became Association countries.¹

The G20 Principles on Energy Collaboration adopted under the Australian G20 presidency, included reforming of the global energy governance architecture. In line with these principles, the leaders in 2016 reaffirmed their commitment “to foster a more effective and inclusive global energy architecture to better reflect the changing realities of the world’s energy landscape”².

Also in line with the G20 Principles on Energy Collaboration, the leaders reaffirmed their commitment to build “well-functioning, open, competitive, efficient, stable, transparent energy markets”³. To this end, the energy ministers committed to further strengthen the Joint Organisations Data Initiative (JODI) to ensure availability of high quality energy data, as well as to make the initiative more visible. Similarly, the ministers pointed to the joint work carried out International Energy Forum (IEF), Organization of the Petroleum Exporting Countries (OPEC) and IEA, on energy predictions. They encouraged these organizations to pursue their own market transparency goals and to work on the interaction between physical and financial markets.⁴

3.5. Tax Governance and Policy

With the global financial crisis compounding the pressure being applied to tax havens, the London Summit in April 2009 put international efforts to combat tax havens at the center of discussion. In London, G20 leaders agreed “to take action against non-cooperative jurisdictions, including tax havens”⁵. In September 2009, the Global Forum on Transparency and Exchange of Information for Tax Purposes, originally consisting of OECD countries and jurisdictions that had agreed to implement transparency and exchange of information for tax purposes, was restructured in response to the G20 call to strengthen implementation of these standards. The Global Forum had its membership expanded to include G20 countries and offshore jurisdictions.⁶. Furthermore, together with the OECD the G20 introduced the Base Erosion and Profit Shifting (BEPS) international taxation package to close gaps in international tax rules to address BEPS, a tax avoidance strategy where multinationals shift their profits from jurisdictions that have high taxes

1. IEA, “Joint Ministerial Declaration on the occasion of the 2015 IEA Ministerial meeting expressing the Activation of Association”, International Energy Agency, Paris, France, 18 November 2015, https://www.iea.org/media/news/2015/press/IEA_Association.pdf.

2. G20, G20 Leaders’ Communique, Hangzhou Summit, 4-5 September 2016.

3. Ibid.

4. G20, G20 Energy Ministerial Meeting Beijing Communiqué, Beijing, 29 June 2016.

5. G20, G20 Leaders’ Statement, London Summit, 2 April 2009

6. OECD, “Tax Transparency”, accessed November 2016, <http://www.oecd.org/tax/transparency/> <http://www.oecd.org/tax/transparency/>

(such as the United States and most European countries) to tax havens. In 2013, OECD and G20 countries adopted a 15-point Action Plan to address BEPS and in October 2015, the OECD BEPS Project delivered its 15 final outputs¹.

2016 was another critical year for tax issues. The leaked documents about tax evasion on the part of companies and individuals across the world, the so-called Panama Papers exposures, made tax transparency and illicit financial flows out of developing countries highly topical. In 2016, the G20 underlined the critical role of tax policy in achieving its objectives of strong, sustainable and balanced economic growth. The agenda continued its focus on international tax cooperation for a fair and efficient international tax environment through the BEPS international taxation package, tax transparency and capacity building in developing countries. There was a special focus on illicit financial flows.

The leaders also underlined tax certainty to promote cross-border trade and investment. The leaders called to attention pro-growth tax policies. In view of unsustainable inequities in wealth and income worldwide, the leaders called for research on tax policies to promote innovation-driven and inclusive growth.

3.5.1 Representative Decision-making in the Global Tax Agenda

In 2016, the base erosion and profit shifting (BEPS) project became more inclusive with the establishment of the G20/OECD Inclusive Framework on BEPS. The new framework announced by the OECD in February 2016, and recognized in the leaders' communique, allows for all interested countries and jurisdictions to participate in the implementation process of the base erosion and profit shifting (BEPS) project. Accordingly, all parties will be able to work on an equal footing with the OECD and G20 nations on the remaining standard-setting under the BEPS project, as well as the review and monitoring of the implementation of the BEPS package². The first meeting to place in Kyoto, Japan on 30 June - 1 July with representation from more than 80 countries and jurisdictions³. Already 40 new BEPS members joined the existing 46 OECD members and accession countries as well as G20 members in the Project. As of October 14, 2016, there were a total of 86 countries.⁴

The Framework comes after criticism of the OECD for setting global tax standards behind closed doors, excluding 80 percent of the world's countries from the decision-making processes. Last year at the Addis

1. OECD, "About BEPS and the inclusive framework", accessed November 2016, <http://www.oecd.org/tax/beps/beps-about.htm#devcountries>

2. Ibid.

3. "First meeting of the new inclusive framework to tackle Base Erosion and Profit Shifting marks a new era in international tax co-operation", OECD, 30 June, 2016, <http://www.oecd.org/tax/beps/first-meeting-of-the-new-inclusive-framework-to-tackle-base-erosion-and-profit-shifting-marks-a-new-era-in-international-tax-co-operation.htm>

4. OECD Inclusive Framework Composition as of 31 October 2016, <http://www.oecd.org/tax/beps/inclusive-framework-on-beps-composition.pdf>

Ababa Conference of Financing for Development a new global tax body was the most important issue on the conference agenda¹.

3.5.2 Strict Measures for Tax Transparency

On tax transparency and exchange of information, the leaders reiterated their call on countries, including all financial centers and jurisdictions, to commit to implement the standard of automatic exchange of information by 2018 at the latest and to sign and ratify the Multilateral Convention on Mutual Administrative Assistance in Tax Matters (104 countries and jurisdictions are participating in the Convention, with Panama just having formally requested to be invited to sign the Convention²). The Convention was first developed in 1988 by the OECD and the Council of Europe. It was later amended by Protocol in 2010 after calls from the G20 to open it to all countries and to align with the international standard on exchange of information on request³. Since 2009, the G20 has consistently encouraged countries to sign the Convention to strengthen international co-operation among tax authorities in order to improve their ability to tackle tax evasion and avoidance.

In 2016, the OECD and G20 members have been working to establish objective criteria to identify non-cooperative jurisdictions with respect to tax matters. The leaders endorsed this work and asked the OECD to report back to the finance ministers and central bank governors by June 2017 on the progress made by jurisdictions and how the Global Forum on Transparency and Exchange of Information for Tax Purposes will manage the country review process in response to additional review requests of countries. By the July 2017 G20 Leaders' Summit in Germany, the leaders expect a list from the OECD of countries that have not sufficiently achieved a satisfactory level of implementation of the agreed international standards on tax transparency. The 2016 leaders' communique says "defensive measures" will be considered against jurisdictions which appear on this blacklist.

3.5.3. Tax-capacity Building in Developing Countries

Domestic resource mobilization, "or the process in which countries transparently raise and spend their own funds to provide for their people"⁴ – is central to the Sustainable Development Goals (SDG)

1. Eliza Anyangwe, "Addis Ababa talks risks deadlock over UN Agencies for Tax", The Guardian, Africa, 15 July 2015, <https://www.theguardian.com/global-development-professionals-network/2015/jul/15/addis-ababa-talks-risk-deadlock-over-un-agency-for-tax-ffd3-financing-for-development>

2. OECD, "Convention on Mutual Administrative Assistance in Tax Matters", accessed November 2016, <http://www.oecd.org/ctp/exchange-of-tax-information/convention-on-mutual-administrative-assistance-in-tax-matters.htm>

3. Ibid.

4. USAID, "Domestic resource mobilization", accessed November 2016, <https://www.usaid.gov/what-we-do/economic-growth-and-trade/domestic-resource-mobilization>

framework and the Addis Ababa Action Agenda. Under the Turkish presidency, the G20 adopted the Call to Action for Strengthening Tax Capacity in Developing Countries which included commitments to help developing countries to boost their domestic resource mobilization¹.

In 2016, the UN and the G20 development agendas were aligned around the issue of domestic resource mobilization. To build tax capacity in developing countries, the leaders acknowledged the establishment of the new “Platform for Collaboration on Taxation” by the IMF, OECD, UN and the World Bank. The Platform is expected to serve as a central vehicle to enhance cooperation between these international organizations to support capacity building, to develop joint guidance on tax and facilitate information sharing. The Platform will formulate technical advice for the use of developing countries which involves providing support for building tax capacity and in assigning developing countries a bigger role in the designing of rules and standards for international taxation. The Platform’s work will be informed by the OECD Inclusive Framework. At the same time, it will evaluate emerging international tax issues concerning developing countries with an aim to bring such issues to the attention of the OECD Inclusive Framework.²

Domestic resource mobilization is also one of the high level principles on the implementation of the 2030 Agenda included in the G20 Action Plan on the 2030 Agenda for Sustainable Development. This Action Plan drew attention to the “Platform for Collaboration on Taxation” to improve guidance for countries with low taxation capacity in implementing BEPS standards and encouraged low income and developing countries to join the BEPS Inclusive Framework (See Section 3.5.1 Representative Decision-making in the Global Tax Agenda for Discussion on the OECD Inclusive Framework).

3.5.3.1. *Illicit Financial Flows*

Earlier illicit financial flows were largely seen as a developing country problem and were inadequately addressed by developed countries and international institutions³. In 2016, the G20 laid special emphasis on illicit financial flows issue in the aftermath of the Panama papers exposure. Among developing countries, especially in Africa, illicit financial flows are an acute problem. The Panama papers of fifty four African countries fifty-two used offshore companies created by Panamanian law firm, Mossack Fonseca involved in the scandal; offshore companies were used in forty-one countries in oil , gas and mining deals

1. G20, “Call To Action For Strengthening Tax Capacity In Developing Countries”, G20 Development Working Group, Domestic Resource Mobilisation, G20 Turkey, 2016, <http://www.g20.org/English/Documents/PastPresidency/201512/P020151228308622272822.pdf>

2. IMF-OECD-UN-WB, “The Platform for Collaboration on Tax - Concept Note”, International Monetary Fund (IMF), Organisation for Economic Co-operation and Development (OECD), United Nations (UN), and World Bank (WB), 19 April 2016, <http://www.imf.org/external/np/sec/pr/2016/pdf/pr16176.pdf>

3. Carey L Biron, “Developing countries lose \$1tn a year from 'illicit financial flows'” The Guardian, 13 December 2013, <https://www.theguardian.com/global-development/2013/dec/13/developing-countries-illicit-financial-flows>

with more than 1400 companies¹. A report prepared by the African Union's High Level Panel of Illicit Financial Flows shows that Africa annually loses more than 50 billion US dollars through illicit financial out flows².

In line with the priority of stepping up domestic resources in developing countries , the leaders underlined the principles of the Addis Tax Initiative drawing attention to the negative impact of illicit financial flows on individual economies and committed to advance their work in this area. The leaders reiterated their position on illicit financial flows for issues related to corruption (para 22) (See Section 3.6.2. The Chinese Three-pronged Approach to Anti-corruption Cooperation) and illicit financial flows due to deliberate trade misinvoicing in the section on “Inclusive and Interconnected Development ” (para 36). (See Section 5.3 Illicit Financial Flows for Discussion on the problem of illicit flows due to trade misinvoicing).

3.5.4 Tax Certainty and Pro-growth Tax Policy

The leaders underlined that effective tax policy tools are critical in carrying out supply-side structural reforms in promoting innovation and inclusive growth. They highlighted the benefits of tax certainty to promote cross-border trade and investment. The leaders asked the OECD and IMF to produce reports on pro-growth tax policies to promote innovation-driven and inclusive growth, and to improve tax certainty³. In the same connection, China established an international tax policy research center for international tax policy design and research.

3.6. Anti –corruption

Corruption has been on the agenda of the G20 leaders since the 2009 Pittsburgh Summit when leaders addressed the issue of illicit outflow from developing countries.⁴ At the Toronto Summit in 2010 the G20 Leaders established the Anti-Corruption Working Group (ACWG) to address the negative impact of corruption on economic growth, trade and development. In 2010 in Seoul , the leaders adopted the first two-year Anti-Corruption Action Plan, which states that “the G20 commits to supporting a common approach to an effective global anti-corruption regime, the principles of which are enshrined in the provisions of the United Nations Convention against Corruption (UNCAC)”.⁵ Since 2010, the work of

1. Alan Rusbridger, “Panama: The Hidden Trillions”, New York Review of Books, Volume 63, Number 16, 27 October 2016.

2. UNECA, “Illicit Financial Flow - Report of the High Level Panel on Illicit Financial Flows from Africa”, United Nations Economic Commission for Africa, Addis Ababa, 2015 <http://hdl.handle.net/10855/22695>.

3. G20, “Hangzhou Action Plan”, Hangzhou Summit, 4-5 September, 2016.

4. G20, G20 Leaders Statement, Pittsburgh Summit, 24-25 September, 2009.

5. G20, “G20 Anti-Corruption Action Plan 2010-2012 - G20 Agenda for Action on Combating Corruption, Promoting Market Integrity, and Supporting a Clean Business Environment”, Seoul Summit, 12 November 2010, <http://www.g20.utoronto.ca/summits/2010seoul.html>.

the ACWG has been guided by two-year action plans that include commitments by G20 countries to ratify and implement the UNCAC, to combat money laundering, and enhance inter-state cooperation to investigate, prosecute and recover the proceeds of corruption. For the first time at Brisbane the Action Plan was accompanied by a detailed Implementation Plan¹.

In 2016, in the aftermath of the Panama papers tax evasion scandal, corruption came to the forefront of discussion, particularly with respect to transparency in beneficial ownership. The Chinese G20 presidency promoted a three-pronged approach to cooperation in tackling corruption by establishing principles (the new High Level Principles on Cooperation on Persons Sought for Corruption and Asset Recovery), a mechanism (Research Center on International Cooperation Regarding Persons Sought for Corruption and Asset Recovery in G20 Member States) and operations (the fourth 2017-2018 G20 Anti-Corruption Action Plan).

3.6.1. Financial Transparency and Beneficial Ownership

Financial transparency, in particular the transparency in beneficial ownership or the real owners of legal persons and arrangements, has been a high priority in the G20 agenda. In their St Petersburg communique G20 leaders drew special attention to address “the risks raised by the opacity of legal persons and legal arrangements” and called upon their finance ministers to update them on the steps taken by G20 countries “to meet FATF standards² regarding the beneficial ownership of companies and other legal arrangements such as trusts by G20 countries leading by example.”³ In 2014, the G20 developed High-level Principles on Beneficial Ownership Transparency to improve the transparency in company ownership and in information on who ultimately controls the company or legal arrangement to prevent illicit acts such as corruption, tax evasion and money laundering.⁴ In 2015, the G20 members’ national implementation plans on beneficial ownership transparency were published.

In 2016, following the Panama papers scandal the issue of beneficial ownership has been the focus of discussion in the international community. According to the leaked documents, the Panamanian firm, Mossack Fonseca involved in the scandal managed to evade ownership verification introducing nominee

1. G20, “2015-16 G20 Anti-Corruption Implementation Plan”, G20 Australia, 2014, https://star.worldbank.org/star/sites/star/files/g20_acwg_2015-16_anti-corruption_implementation_plan_australia_2014.pdf

2. The Financial Action Task Force (FATF) is an independent inter-governmental body that develops policies to protect the global financial system against money laundering, terrorist financing and the financing of proliferation of weapons of mass destruction. The FATF Recommendations are recognised as the global anti-money laundering (AML) and counter-terrorist financing (CFT) standard.

The Financial Action Task Force (FATF), Web site, accessed November 2016, <http://www.fatf-gafi.org/about/>

3. G20, G20 Leaders Statement, St. Petersburg Summit, 5-6 September 2013.

4. G20, “G20 High-Level Principles on Beneficial Ownership Transparency”, G20 Australia, 2014, accessed November 2016, https://www.g20.org/tr/wp-content/uploads/2014/12/g20_high-level_principles_beneficial_ownership_transparency.pdf

beneficial owners instead of the actual beneficial owner.¹

The leaders underlined the importance beneficial ownership transparency of legal persons and legal arrangements. In the 2017-2018 G20 Anti-Corruption Action Plan, G20 members committed to fully implement the FATF Recommendations on Transparency and Beneficial Ownership of Legal Persons as well as to implement the G20 High Level Principles on Beneficial Ownership Transparency.

The leaders called on the FATF and the Global Forum on Transparency and Exchange of Information for Tax Purposes to submit proposals by the October 2016 meeting of the Finance Ministers and Central Bank Governors Meeting on ways to improve the implementation of the international standards on transparency, including those on availability beneficial ownership and international exchange on this issue.

In the 2017-2018 Action Plan, the G20 members committed to further promote the identification of the beneficial ownership and who ultimately controls companies and legal arrangements such as trusts². Transparency of trusts has been a controversial area due to several factors including the very fuzziness in the ownership of trusts and the high level of confidentiality involved³.

The Action Plan also committed to assist countries outside of the G20 in the implementation of beneficial ownership standards and best practices as well as to encourage the utilisation of beneficial ownership information in addressing corruption and related money laundering.

Notably, starting with the UK, G20 members France, South Africa, Indonesia and Australia are either considering or already committed to establishing public beneficial ownership registers.⁴

3.6.2. The Chinese Three-pronged Approach to Anti-corruption Cooperation

The Chinese G20 presidency promoted a three-pronged approach to anti-corruption cooperation of establishing principles, mechanisms and operations.

Accordingly, the leaders first adopted the High Level Principles on Cooperation on Persons Sought for Corruption and Asset Recovery recognizing “the detrimental effects of corruption and illicit finance flows on equitable allocation of public resources, sustainable economic growth, the integrity of the global financial system and the rule of law...”⁵ While leaders committed to reinforce the G20’s efforts to enhance

1. Alan Rusbridger, “Panama: The Hidden Trillions”, New York Review of Books, Volume 63, Number 16, 27 October 2016.

2. G20, “G20 Anti-Corruption Action Plan 2017-2018”, G20 China, September 2016.

3. “Trusts and financial transparency - The weak link”, The Economist, 31 October 2013, accessed November 2016, <http://www.economist.com/blogs/schumpeter/2013/10/trusts-and-financial-transparency>.

4. “Anti-Corruption Summit: country statements”, Anti-Corruption Summit, London 2016, 12 May 2016, <https://www.gov.uk/government/publications/anti-corruption-summit-country-statements>

5. G20, G20 Leaders’ Communique, Hangzhou Summit, 4-5 September 2016.

international cooperation against corruption, they underlined that these principles must be implemented “respecting international law, human rights and the rule of law as well as the sovereignty of each country”¹.

The G20 underlined that these principles, grouped under three headings - “Our Stance: Zero tolerance”, “Our Institutions: Zero Loopholes” and “Our Objective: Zero Barriers” - represent an effort to lead by example. They were prepared in accordance with the UNCAC, and built upon the G20 Common Principles for Action: Denial of Safe Haven, the G20 High-Level Principles on Mutual Legal Assistance and the G20 key asset recovery principles.²

Second, with respect to mechanisms referred to in the Chinese three-pronged approach to anti-corruption cooperation, the leaders welcomed “the Research Center on International Cooperation Regarding Persons Sought for Corruption and Asset Recovery in G20 Member States” established by China, which the leaders stated “will be operated in line with international norms.” The Research Center will be hosted and administered by the College for Criminal Law Science, Beijing Normal University with the objectives of (i) *Compiling G20 country profiles on national laws and regulations that apply to international cooperation in corruption cases and (2) Compiling and sharing research findings, in accordance with relevant data protection rules, good practices, case studies and knowledge product in order to help enhance capacity in combating corruption.*³

Thirdly, with respect to operations of the three-pronged approach, leaders endorsed the fourth 2017-2018 G20 Anti-Corruption Action Plan “to improve public and private sector transparency and integrity, implementing [their] stance of zero tolerance against corruption, zero loopholes in [their] institutions and zero barriers in [their] actions” as stated in the new high level principles.⁴ The Action Plan covers issues under the headings of Practical co-operation, Beneficial ownership, Private sector integrity and transparency, Bribery, Public sector integrity and transparency, Vulnerable sectors, International organisations and Capacity building.⁵ These areas have also been underlined in the G20 Action Plan on the 2030 Agenda for Sustainable Development.⁶ The leaders asked the ACWG to develop an implementation plan before the end of 2016.

3.6.3. Cross-border Cooperation and Information Sharing

The G20 leaders reaffirmed their committed to cross-border cooperation and sharing information “between

1. Ibid.

2. G20, “G20 High-Level Principles on Cooperation on Persons Sought for Corruption and Asset Recovery”, G20 China, 2016.

3. G20, “Research Center on International Cooperation Regarding Persons Sought for Corruption and Asset Recovery in G20 Member States”, G20 China, 2016.

4. G20, G20 Leaders’ Communique, Hangzhou Summit, 4-5 September 2016.

5. G20, “G20 Anti-Corruption Action Plan 2017-2018”, G20 China, September 2016.

6. G20, “G20 Action Plan on the 2030 Agenda for Sustainable Development”, G20 China, September 2016.

law enforcement, anti-corruption agencies and judicial authorities” to prevent the movement of persons and assets involved in corruption offences. They underlined that cooperation should be “consistent with national legal systems”.¹

To facilitate information exchange, in 2016 the G20 continued to encourage institutional contact points. These include the G20 Denial of Entry Experts’ Network, which was mentioned in the communique. At the 2012 Los Cabos Summit, the G20 leaders had endorsed the G20 Common Principles for Action: Denial of Safe Haven and initiated a Denial of Entry Experts’ Network². At the 2013 St Petersburg Summit, G20 leaders announced they had established the Denial of Entry Network contact list in all G20 jurisdictions to share information on corrupt officials³. The network seeks to ensure that individuals who are previously convicted or for whom there is sufficient prosecutable information are denied entry into countries.

In the 2016 communique the leaders committed to make effort to apply “the extradition, mutual legal assistance and asset recovery provisions” of the UNCAC as well as of other conventions. The High Level Principles on Cooperation on Persons Sought for Corruption and Asset Recovery do point to international co-operation provisions of other legal instruments such as the OECD Convention against Bribery of Foreign Public Officials in International Business Transactions⁴.

3.6.4. International Conventions

In 2009, G20 leaders’ called for G20 members to adopt and enforce laws against transnational bribery including the OECD Anti-Bribery Convention, and the ratification by the G20 of the UNCAC.

In 2016, the G20 continued its call for all members to ratify the UNCAC and welcomed the second cycle of UNCAC’s review mechanism coordinated by the Implementation Review Group (IRG)⁵. In line with commitments in previous G20 anti-corruption action plans, all but one G20 country (Japan) have now ratified UNCAC⁶. In the high level principles document the G20 also called upon all UN member states to ratify or accede to UNCAC.

The leaders embraced the outcomes of the London Anti-Corruption Summit in May 2016 that identified

1. G20, G20 Leaders’ Communique, Hangzhou Summit, 4-5 September, 2016

2. G20, G20 Leaders’ Declaration, Los Cabos Summit, 18–19 June 2012.

3. G20, G20 Leaders Statement, St. Petersburg Summit, 5-6 September 2013.

4. Indonesia, Saudi Arabia, India and China have not yet ratified the OECD convention.

5. UNCAC, “UNCAC Review Mechanism”, accessed November 2016 http://uncaccoalition.org/en_US/uncac-review/uncac-review-mechanism/

6. UNODC, “United Nations Convention against Corruption Signature and Ratification Status as of 21 September 2016”, <https://www.unodc.org/unodc/en/treaties/CAC/signatories.html>

actions in three areas of exposing corruption; pursuing and punishing the corrupt and supporting those who have suffered from corruption; and driving out corruption, wherever it exists.¹

Similarly leaders drew attention to the outcome of the OECD Anti-Bribery Ministerial Meeting in March 2016 in Paris which laid a special focus on whistleblower protection and voluntary disclosure, international co-operation and anti-corruption compliance.²

1. *Anti-Corruption Summit Communique*, London, 12 May, 2016, https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/522791/FINAL_-_AC_Summit_Communique_-_May_2016.pdf

2. *The OECD Ministerial Declaration - The fight against foreign bribery – towards a new era of enforcement*, OECD Anti-bribery Ministerial Meeting, Paris, 16 March, 2016, <http://www.oecd.org/corruption/anti-bribery/OECD-Anti-Bribery-Ministerial-Declaration-2016.pdf>

SECTION 4: Robust International Trade and Investment

World trade growth has been subdued now for more than five years. Since 2012, the global trade volume in goods and services grew by around 3 percent - less than half the rate during the preceding three decades. World trade has barely kept pace with world GDP.¹ According to the IMF's "World Economic Outlook" report released in October 2016, slowing down in economic activity, especially weak investment growth across advanced, emerging and developing countries, has been the most significant contributor to slow pace in trade growth. This trend is reinforced by the rebalancing of the Chinese economy from goods and investment to services and consumption as well as low spending in many commodity exporters in response to weak commodity prices. At the same time, slow pace of trade liberalization and rising protectionism, notwithstanding G20 leaders commitments, are weighing down trade. The impact of these policy measures may be limited so far; yet lagging in reductions of trade costs and weak trade have feedback effects on economic growth. Further, the apparent moderation in the growth of cross border value chain participation is preventing trade growth.² The possible slowdown of cross border value chains may also have a negative impact on the participation of developing countries in the global economy.

Against this backdrop, trade and investment was one of the key focus areas of the Chinese G20 presidency. In 2016, the G20 began to take a more proactive role in the global trade and investment agenda. The G20 Trade and Investment Working Group (TIWG) was established. Furthermore, the G20 adopted the G20 Strategy for Global Trade Growth, the first document to provide a G20 framework for boosting trade growth, which aims to stimulate economic growth and to advance the Sustainable Development Goals (SDGs) through individual country and collective actions. Central to measures put forth in the strategy document is the aim to enhance the ability of developing countries and SMEs to participate in and move up the value chain in GVCs. This focus reflects strong continuities with the Turkish G20 presidency's agenda in 2015. Related to value chain development, enhancing investment flows was central in the agenda, both in the trade strategy document as well as the Enhanced Structural reform agenda³. To encourage cross-border investment flows, the leaders adopted the G20 Guiding Principles for Global Investment Policymaking to kick off the discussion for a multilateral investment framework.

While bringing more structure to G20's approach to trade, the G20 Strategy for Global Trade Growth underlined the central role of the WTO in trade governance and the need to improve its functioning. Accordingly, the leaders continued their commitments to uphold multilateralism and open markets - an agenda also addressing issues concerning developing countries as well as inequalities within individual countries that are giving rise to protectionism.

1. Global trade growth was 2.8 percent and 3.4 percent in 2012 and 2013, respectively, compared to 6.8 percent in 2011. Between 1987 and 2007 average growth rates of world trade were 7 percent. While trade grew twice as fast as output before the crisis, it has been growing only slightly above GDP in recent years. See: IMF, World Economic Outlook, October 2016: Subdued Demand: Symptoms and Remedies, (Washington DC: IMF, 2016).

2, Ibid.

3. An analysis of the G20 structural commitments that include trade and investment measures, have not been included in this report.

4.1. The Multilateral Trade System and Protectionism

In 2001, the WTO launched the Doha Development Agenda (DDA), an ambitious and complex agenda that involves negotiations designed to free trade in agricultural goods, services and manufactured goods. Almost no progress has been made since 2008. The impasse between developed and developing on the issue whether or not poor countries should be allowed to increase tariffs to support their farmers faced with sharp increases in food is a main disagreement. The outcome of the Nairobi Ministerial Conference in December 2015 saw WTO members acknowledging their disagreement on whether the DDA should continue to form the basis for multilateral negotiations. In the Nairobi Ministerial Declaration, some members reaffirmed their commitment to Doha mandates while others highlighted the need for “new approaches” to achieve meaningful results in multilateral negotiations.¹ In response to the failure of the DDA negotiations, there has been an increased focus on WTO-led plurilateral agreements as well as other bilateral and regional agreements, including mega-regional trade deals in recent years.

At the same time, protectionist measures continue to increase, also telling of job losses and wage stagnation, especially in advanced economies, where people feel that benefits of free trade have not been distributed fairly across communities. The inward turning political trend was visible in 2016 as evidenced by Brexit as well as by the US presidential election campaign.

Leaders addressed the global trade agenda since their first meeting in Washington in November 2008 in their commitments to refrain from protectionism and complete the DDA. These commitments have been at the core of the G20’s approach to trade.²

In 2016, the leaders continued their commitments to multilateralism and open markets. Both the leaders and the G20 Strategy for Global Trade Growth underlined the central role of the WTO in trade governance and committed to improve its functioning; they also included an emphasis on concerns of developing countries as well as inequalities within countries. Accordingly, leaders committed to shape the DDA placing “development at its center” following the Nairobi meeting.³ The leaders extended their support to WTO-consistent plurilateral agreements drawing attention to the example of the WTO Environmental Goods Agreement (EGA). The leaders confirmed their commitments to ensure that bilateral and regional trade agreements are consistent with WTO rules. In this relation, they emphasized the WTO’s Transparency Mechanism on Regional Trade Agreements (RTAs) and broadening the participation of low

1. WTO, *Nairobi Ministerial Declaration*, adopted at the 10th WTO Ministerial Conference, Nairobi, 19 December 2015,

https://www.wto.org/english/thewto_e/minist_e/mc10_e/mindecision_e.htm

2. Mark Thirlwell, “International Trade: What Can the G20 Do?”, in “Trade and the G20”, Lowy Institute for International Policy, G20 Monitor No.3, June 2013, https://www.lowyinstitute.org/sites/default/files/g20_monitor_3_0.pdf

3. G20, *G20 Leaders’ Communique*, Hangzhou Summit, 4-5 September 2016.

income countries in RTAs. Finally, leaders reaffirmed their commitment to keep economies open while working towards ensuring that benefits of trade are conveyed to the public and better distributed through domestic policies.

4.1.1. The Doha Round and the Central Role of the WTO

The G20 leaders set out to complete the Doha Round since their first meeting in Washington in November 2008¹. While the leaders became less optimistic about the completion of the Doha round over the years,² they have continued to uphold the centrality of the WTO in global trade governance.

In 2016, the leaders continued with their commitment to uphold multilateralism under the WTO. They reaffirmed the central role of the WTO system in the global economy in ensuring “a rules-based, transparent, non-discriminatory, open and inclusive multilateral trading system”³. To this end, the leaders committed “to shape the post-Nairobi work with development at its center”. The communique included the full range of perspectives advanced by both developing and developed economies on the remaining Doha Round issues “including all three pillars of agriculture (i.e. market access, domestic support, and export competition), non-agricultural market access, services, development, Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPs), and rules.”^{4 5} The leaders committed to advancing these objective “as a matter of priority.”

The communique also implied that the WTO should adopt new initiatives and perspectives in global trade that may be “of common interest” and critical to the global economy. In this relation, leaders underlined that WTO discussions may include those issues addressed in regional trade arrangements (RTAs) as well as by the business community in the Business-20.

4.1.2. The Trade Facilitation Agreement (TFA)

“Trade facilitation” has become a central focus in multilateral negotiations. In 2013 WTO Members concluded negotiations on the Trade Facilitation Agreement (TFA) at their Bali Ministerial Conference. This is the first Agreement concluded at the WTO and signed by all of its Members. The agreement will

1. G20, *Declaration of the Summit on Financial Markets and the World Economy*, Washington DC Summit, 15 November 2008.

2. Mark Thirlwell, “International Trade: What Can the G20 Do?”, in “Trade and the G20”, Lowy Institute for International Policy, G20 Monitor No.3, June 2013.

3. G20, *G20 Leaders’ Communique*, Hangzhou Summit, 4-5 September 2016.

4. Ibid.

5. Feride Inan, “What Did the G20 Accomplish During China’s Presidency?”, *The Diplomat*, 9 September 2016.

enter into force once two-thirds of WTO members have completed their domestic ratification process.¹

The Trade Facilitation Agreement was one of the main priorities in the G20 Strategy for Global Trade Growth. (See Section 4.2.2. Lowering Trade Costs)

4.1.3. Bilateral and Regional Trade Agreements and Managing Risks

The deadlock of the Doha round negotiations has led to proliferation of preferential trade arrangements (PTAs), including mega-regional agreements. Compared with earlier PTAs, the recent ones often include a larger number of trading partners and are much more comprehensive in terms of their coverage. For instance, megaregional deals such as Trans-Pacific Partnership (TPP), the Regional Comprehensive Economic Partnership (RCEP), and the Transatlantic Trade and Investment Partnership (TTIP), involve whole regions and go beyond the WTO's remit, covering a wide range of areas including goods and services, investment, competition, intellectual property and the temporary movement of workers.²

At the St. Petersburg Summit in 2013, the issue of regional trade agreements was for the first time included in a leaders' communique that highlighted "enhancing transparency in trade, including in regional trade agreements."³ In Australia leaders committed to work towards ensuring "bilateral, regional and plurilateral agreements complement one another, are transparent and contribute to a stronger multilateral trading system under World Trade Organization (WTO) rules"⁴. The Turkish G20 presidency continued this focus asking the WTO to prepare a report on the impact of regional trade agreements (RTAs) on multilateral trade.⁵

In 2016, the leaders highlighted the significance of bilateral and regional trade agreements and their role in trade liberalization and the development of trade rules. They emphasized that these agreements had to conform to WTO rules and complement the multilateral system.

The G20 Trade Ministers' declaration encouraged future RTAs by G20 members would be open to admitting new parties and include provisions for review and expansion. The G20 Strategy for Global Trade Growth adopted by leaders, underlined the importance of initiatives aimed at broadening the participation in RTAs of low income countries.

Lastly, the trade ministers committed to working with non-G20 WTO members towards transforming

1. WTO, "Trade Facilitation", accessed November 2016, https://www.wto.org/english/tratop_e/tradfa_e/tradfa_e.htm

2. IMF, World Economic Outlook, October 2016 : Subdued Demand: Symptoms and Remedies.

3. G20, G20 Leaders Statement, St. Petersburg Summit, 5-6 September 2013.

4. G20, G20 Leaders' Communique, Brisbane Summit, 15-16 November 2014.

5. WTO, "Regional Trade Agreements and the Multilateral Trading System", WTO Discussion Paper for the G20, G20 Turkey, 21 September 2015, http://g20.org.tr/wp-content/uploads/2015/11/8.G20-Discussion-Paper_RTAs-and-MTS.pdf

the provisional “Transparency Mechanism on RTAs” into a permanent one. They committed to set an example in fulfilling obligations concerning transparency.¹

4.1.4. WTO-consistent Plurilateral Agreements

In recent years, “plurilateral agreements” in the WTO setting have gained momentum. The WTO employs the term “plurilateral agreement” as an agreement that makes voluntary the members commitment to agree to new rules, thus they include a “narrower group of signatories.”² While WTO plurilateral agreements are not new, three main plurilateral negotiations in the past few years have been central to discussion. These are the second version of the Information Technology Agreement (ITA); the Environmental Goods Agreement (EGA) and Trade in Services Agreement (TiSA).³

In July 2016, the expanded Information Technology Agreement (ITA) came into force. The initial ITA was concluded by 29 participants at the Singapore Ministerial Conference in December 1996. At the WTO’s Nairobi Ministerial Conference in December 2015, over 50 members⁴ concluded the expansion of the Agreement, which now covers an additional 201 products valued at over 1.3 trillion us dollars per year. As different from other plurilateral agreements such as the WTO Government Procurement Agreement (GPA), the ITA does not restrict benefits to its signatories. This may have caused a moral hazard problem of non-signatories reaping benefits from the tariff elimination while not giving any reciprocal concessions⁵. Yet, the ITA successfully created a “critical mass”⁶ with participants together accounting for around 97 percent of world trade in IT products.^{7 8}

Second, in 2014, the Environmental Goods Agreement (EGA) being negotiated by 17 WTO members⁹

1. G20, G20 Trade Ministers Meeting Statement, 9–10 July 2016.

2. WTO, “Plurilaterals: of minority interest”, accessed November 2016, https://www.wto.org/english/thewto_e/whatis_e/tif_e/agrm10_e.htm

3. The WTO notes two plurilateral trade agreements that are in force, namely the Agreement on Trade in Civil Aircraft and the Agreement on Government Procurement. The WTO website does not cite the ITA, the EGA or the TISA as plurilateral agreements.

4. For list of participants see: WTO, “Map of ITA participants”, accessed November 2016, https://www.wto.org/english/tratop_e/inftec_e/ita_map_e.htm

5. Hosuk Lee-Makiyama, “Future-Proofing World Trade In Technology: Turning the WTO IT Agreement (ITA) into the International Digital Economy Agreement (IDEA)”, European Centre for International Political Economy (ECIPE), ECIPE Working Paper No. 04/2011.

6. In the WTO this means a threshold of 90 percent as agreed by the WTO members for agreeing to launch a sector agreement that is delinked from any trade round.

7. WTO, “Information Technology Agreement”, accessed November 2016, https://www.wto.org/english/tratop_e/inftec_e/inftec_e.htm

8. For further discussion see: Hosuk Lee-Makiyama, “Future-Proofing World Trade In Technology: Turning the WTO IT Agreement (ITA) into the International Digital Economy Agreement (IDEA)”, European Centre for International Political Economy (ECIPE), ECIPE Working Paper No. 04/2011.

9. Australia, Canada, China, Costa Rica, the European Union and its 28 member states, Hong Kong, Iceland, Israel, Japan, Korea, New Zealand, Norway, Singapore, Switzerland, Chinese Taipei, Turkey and the United States.

was launched to reduce tariffs on a range of products that benefit the environment. The EGA is intended “to become ‘a living agreement’ which would allow the addition of new products in the future”¹. It has the potential to support implementation of the Paris Agreement on climate change and the UN Sustainable Development Goals.

The third plurilateral agreement under discussion is the Trade in Services Agreement (TiSA). As distinct from the expanded ITA and the EGA, TiSA is negotiated outside of the WTO. Yet, the deal is open for other parties to join. Furthermore, TiSA could eventually be absorbed into the WTO². TiSA involves 23 Parties and the EU³ focusing on services trade liberalization and new rules in areas such as licensing, financial services, telecoms, e-commerce, maritime transport, and professionals moving abroad temporarily to provide services. However, TiSA market access commitments for its members would go well beyond GATS commitments and other service sector commitments in the Doha Round.⁴

Both at the Brisbane Summit and the Antalya Summit, plurilateral agreements were included in the communique as an extension of bilateral and regional agreements⁵. In 2016, the leaders began to treat plurilateral agreements as a separate category. The leaders noted that “WTO-consistent plurilateral trade agreements with broad participation can play an important role in complementing global liberalisation initiatives”.

In this regard, those G20 members who are parties to the EGA welcomed “the landing zone” achieved in the negotiations and reaffirmed their aim to conclude EGA by the end of 2016 “after finding effective ways to address the core concerns of participants.”⁶ The landing zone developed during the fifteenth round of negotiations held in July 2016 in Geneva consists of a commitment to complete the staging framework by the end of 2016; an agreement on the language for dealing with the critical mass issue— this means that the eliminated tariffs would be applied to all WTO members and not just to those in the EGA group; and

1. European Commission, “The Environmental Goods Agreement (EGA): Liberalising trade in environmental goods and services”, Brussels, 8 September 2015 / Updated in July 2016, <http://trade.ec.europa.eu/doclib/press/index.cfm?id=1116>

2. Juan A. Marchetti and Martin Roy, “The TISA Initiative: An Overview of Market Access Issues”, World Trade Organization Economic Research and Statistics Division, ERSD Staff Working Paper, 27 November 2013.

3. Australia, Canada, Chile, Chinese Taipei, Colombia, Costa Rica, the EU, Hong Kong China, Iceland, Israel, Japan, Korea, Liechtenstein, Mauritius, Mexico, New Zealand, Norway, Pakistan, Panama, Peru, Switzerland, Turkey and the United States. Of these, the EU has no free trade agreements on services with Chinese Taipei, Israel, Pakistan or Turkey.

4. Juan A. Marchetti and Martin Roy, “The TISA Initiative: An Overview Of Market Access Issues”, World Trade Organization Economic Research and Statistics Division, ERSD Staff Working Paper, 27 November 2013.

5. G20, G20 Leaders’ Communique, Antalya Summit, 15-16 November 2015; G20, G20 Leaders’ Communique, Brisbane Summit, 15-16 November 2014.

6. European Commission, “The Environmental Goods Agreement (EGA): Liberalising trade in environmental goods and services”, European Commission press release, Brussels, 8 September 2015 / Updated in July 2016, <http://trade.ec.europa.eu/doclib/press/index.cfm?id=1116>

the product list which was narrowed down to 304 products, although still not final.¹

Finally, the G20 trade ministers in their statement also took note of the Information Technology Agreement and its Expansion Agreement as well as the Trade in Services Agreement (TiSA).²

4.1.5. Keeping Economies Open

Along with supporting WTO multilateralism, keeping markets open has been at the core of the G20 trade focus. Indeed, during the crisis, the G20 leaders followed through on their commitments to keep markets open to trade especially in 2010³. Yet, the initial gains in this direction were soon lost as protectionism carried the day.

Although estimates of the number of restrictive measures vary due to different interpretations of what constitutes protectionism, all institutions involved in the implementation of trade restrictions in the G20 agree that G20 countries have increasingly resorted to protectionism since the crisis⁴. The WTO was the first organisation to set up a formal monitoring mechanism in 2008 to capture trends in the implementation of trade-liberalising and trade-restricting measures. The WTO's Trade Monitoring Database included trade-restrictive border measures, while lacking in information on behind-the-border measures. Upon the request of G20 leaders, the WTO's trade monitoring exercise is complemented by a joint assessment of the OECD and UNCTAD since 2009.

According to the WTO, G20 countries introduced a total of 1,583 trade restrictive measures since the beginning of the WTO's monitoring exercise in 2009. The WTO's fifteenth trade monitoring report on G20 trade measures for the period of mid-October 2015 to mid-May 2016 recorded the highest monthly average number of trade-restrictive measures applied per month since 2009.⁵ Further, over three-quarters of the total measures imposed since 2008 are still in place⁶, in spite of a series of commitments by G20 members to wind back protectionist measures in the post-crisis period. These measures cover around 6 per cent of G-20 merchandise imports and 5 percent of global imports⁷.

1. European Commission, "Report from the 15th round of negotiations for an Environmental Goods Agreement (EGA)", European Commission, August 2016, http://trade.ec.europa.eu/doclib/docs/2016/august/tradoc_154835.pdf

2. G20, G20 Trade Ministers Meeting Statement, 9–10 July 2016.

3. Daniel W. Drezner, *The System Worked*, (Oxford University Press: New York, 2014).

4. Barbara Barone and Roberto Bendini, "Protectionism in the G20", Study by the Policy Department, Directorate-General for External Policies, European Parliament, March 2015.

5. WTO, "WTO report: "G20 trade restrictions reach highest monthly level since the crisis"", 21 June 2016, https://www.wto.org/english/news_e/news16_e/trdev_21jun16_e.htm,

For the WTO report see: WTO, "Report on G20 Trade Measures (Mid-October 2015 to Mid-May 2016)", 21 June 2016, https://www.wto.org/english/news_e/news16_e/g20_wto_report_june16_e.pdf.

6. Ibid.

7. Ibid.

In 2016, leaders reiterated their commitments to oppose protectionism on “trade and investment in all its forms.”¹ They committed to “standstill and rollback ... protectionist measures till the end of 2018.”² Leaders extended their support the work of the WTO, UNCTAD and OECD in monitoring protectionism.

Most significantly, the leaders stressed that the wider public must be informed about the benefits of trade and open markets and domestic policies are directed towards a better distribution of gains from trade.

4.2. A G20 Framework for Promoting Trade Growth

Leaders have engaged with the trade agenda since their first meeting in Washington in November 2008 through their commitments to refrain from protectionism and complete the Doha Round, as discussed above. At the Seoul Summit, the G20 adopted the Seoul Development Consensus for Shared Growth and the Multi-Year Action Plan On Development to implement this consensus, which marked the beginning of a more active engagement with non-financial issues including trade. The Seoul initiative specifically aimed at enhancing the role of developing countries and low income countries (LICs).³ In the area of trade, the Multi-Year Action Plan on Development focused on Duty-Free and Quota Free (DFQF) access to support low income developing countries, Aid for Trade (AfT), trade facilitation, trade finance, and regional integration focusing on enhancing African intra-regional trade.⁴

Other trade issues addressed by the leaders were also increasingly more comprehensive following the trend of discussions in the international community. In this regard, leaders called attention to and made commitments to issues concerning global and regional value chains (first at the Los Cabos Summit⁵), regional trade agreements (first at the St. Petersburg Summit⁶) among others; they also asked international organizations to prepare reports on these issues. At the same time, G20 countries made structural commitments in the form of measures to promote trade. The structural reform agenda took shape under the Australian G20 presidency, which introduced the G20 global growth target accompanied by country growth strategies.

Moreover, the G20 trade ministers met in 2012, 2014 and 2015, during the Mexican, Australian and Turkish presidencies, respectively. Yet there was no trade working group and trade issues were largely

1. G20, G20 Leaders' Communique, Hangzhou Summit, 4-5 September, 2016.

2. Ibid.

3. The Multi-Year Action Plan on Development identified nine areas, including trade, for action and reform to ensure inclusive and sustainable economic growth and resilience in developing countries and LICs.

4. G20, “Multi-Year Action Plan on Development”, Seoul Summit, 12 November 2010.

5. G20, G20 Leaders' Declaration, Los Cabos Summit, 18–19 June 2012.

6. G20, G20 Leaders Statement, St. Petersburg Summit, 5-6 September 2013.

addressed by the Development Working Group (DWG), which was assigned the task to implement the Multi-Year Action Plan and monitor progress by reporting to the sherpas. At the Antalya Summit in 2015, G20 leaders asked their trade ministers to meet on a regular basis and agreed on setting up a supporting trade and investment working group.¹

Under the Chinese G20 presidency, trade became one of the key focus areas in the G20 agenda. The G20 Trade and Investment Working Group (TIWG) was established. The fourth G20 Trade Ministers meeting took place in Shanghai on 9-10 July.

At the same time, the G20 adopted a framework for its engagement with global trade and investment issues under the G20 Strategy for Global Trade Growth. This is the first strategy document to provide a G20 framework for boosting trade growth. The Framework aims to promote growth in trade and advance the Sustainable Development Goals (SDGs) to stimulate world economic growth through collective actions as well as actions of individual countries. Accordingly, it complements commitments in the G20 Trade Ministers' Statement in 2016 "to standstill and rollback of protectionist measures, trade facilitation, the WTO, other trade agreements, guiding principles for global investment policymaking, and promoting inclusive global value chains."²

The agenda for promoting inclusive and integrated global value chains (GVCs) was central to the measures put forth in the G20 Strategy for Global Trade Growth. This agenda was organized under seven headings, namely, lowering trade costs, harnessing trade and investment policy coherence, boosting trade in services, enhancing trade finance, developing a World Trade Outlook Indicator, promoting e-commerce development and addressing trade and development.

"Lowering trade costs" section emphasized the TFA and addressed behind the border restrictions. The sections on "harnessing policy coherence between trade and investment" and "boosting services trade" emphasize GVC development, especially in low-income countries; these sections also relate to behind the border restrictions that impede FDI flows. "Enhancing trade finance" and "promoting e-commerce development" sections place special emphasis on SMEs. "Developing a World Trade Outlook Indicator" section responds to the need to better understand changing circumstances. "Addressing trade and development" section builds on G20's previous work on the relationship between trade and development since Seoul, as well as on highlighting the links between trade and the 2030 agenda.

In addition to these issues, the leaders' communique addressed overcapacity in steel production with an emphasis on its negative impact on both trade and workers.

1. G20, *G20 Leaders' Communique*, Antalya Summit, 15-16 November 2015.

2. G20, "G20 Strategy for Global Trade Growth", G20 China, September 2016.

4.2.1. Cross-border Value Chains

Global value chains (GVCs) have become a central feature of the world economy for all countries. Developments in information and communication technologies and new widespread transport links have allowed firms to split production processes across different parts of the world. Cross border production networks provide firms – especially those in developing economies – with an opportunity to access global production chains and improve their capabilities. Yet, low income countries and especially SMEs from these countries are underrepresented in value chains¹. Moreover, the IMF notes GVC development may have slowed down in recent years although this would be difficult to assess. The possible reasons for the slowdown are also uncertain - it may be stem from a slowdown in falling trade costs, or from increased impediments to cross-border investment, or market saturation for GVCs².

While the issue of value chains has been on the leaders' agenda since Los Cabos, the integration of Small and Medium Enterprises (SMEs) and Low Income Developing Countries (LIDCs) into GVCs was the centerpiece of the Turkish G20 presidency's agenda in 2015.³

In 2016, GVC agenda dominated the G20's trade perspective. Both the leaders and the G20 Strategy for Global Trade Growth placed a strong emphasis on enhancing the participation of developing countries and SMEs in value chains. The leaders promoted "policies that encourage firms of all sizes, in particular women and youth entrepreneurs, women-led firms and SMEs, to take full advantage of global value chains (GVCs), and that encourage greater participation and value addition and upward mobility in GVCs by developing countries, particularly low income countries (LICs)."⁴

4.2.2 Lowering Trade Costs

"Trade costs" entail a number of factors that interfere between the producer price of the exporter and the consumer price in the importing country. They typically included cross-border transportation costs and tariffs as well as the availability and cost of trade credit.⁵ In recent years, non-tariff barriers are central to the discussion. According to the earlier UNCTAD definition non-tariff barriers cover "policy measures,

1. OECD-WBG, "Inclusive Global Value Chains : Policy Options in Trade and Complementary Areas for GVC Integration by Small and Medium Enterprises and Low-Income Developing Countries", Joint report by the Organisation for Economic Co-operation and Development and the World Bank Group at the request of Turkey's Presidency of the Group of 20, September 2015, <http://www.g20.org/English/Documents/PastPresidency/201512/P020151228381283128243.pdf>

2. IMF, World Economic Outlook, October 2016: Subdued Demand: Symptoms and Remedies, (Washington DC:IMF, 2016).

3. G20, Turkish G20 Presidency Priorities for 2015, 1 December 2014, <https://g20.org/wp-content/uploads/2014/12/2015-TURKEY-G-20-PRESIDENCYFINAL.pdf>; G20-OECD, "Stocktaking Seminar on Small and Medium Enterprises and Low Income Developing Countries in the International Market Place: Summary and Conclusions", Paris 2 June 2015, <https://www.oecd.org/g20/topics/trade-and-investment/oecd-g20-stocktaking-seminar-2015-summary.pdf>.

4. G20, G20 Leaders' Communique, Hangzhou Summit, 4-5 September 2016.

5. IMF, World Economic Outlook, October 2016: Subdued Demand: Symptoms and Remedies, (Washington DC: IMF, 2016).

other than ordinary customs tariffs, that can potentially have an economic effect on international trade in goods, changing quantities traded, or prices or both.”^{1 2} The more recent and more detailed UNCTAD classification comprises of technical measures, such as sanitary or environmental protection measures as well as measures related to pre- shipment inspections and other customs formalities. Non-technical impediments to trade include traditionally used instruments of commercial policy such quotas, price control, exports restrictions, or ad hoc trade protective measures to protect domestic economies from particular adverse effects of imports (antidumping³, countervailing duties⁴, and safeguard measures⁵). They also include other behind-the-border measures, such as lagging competition, trade-related investment measures, government procurement or distribution restrictions.⁶

In lowering trade costs , the leaders and the strategy document emphasized ratification of the WTO Trade Facilitation Agreement (TFA) by the end of 2016 and called on other WTO members to do the same. According to OECD projections, if fully implemented the TFA has the potential to reduce global trade costs by up to 15 percent and up to 17.4 percent for some countries, with the greatest gains for low income countries.⁷ (See also Section 4.1.2. The Trade Facilitation Agreement (TFA))

The TFA has provisions for enabling “the movement, release and clearance of goods, including goods in transit.” Accordingly, the agreement includes measures to ensure “cooperation between customs and other

1. DITC, UNCTAD, Trade Analysis Branch, “Non-Tariff Measures: Evidence from Selected Developing Countries and Future Research Agenda”, 1 December 2010, UNCTAD/DITC/TAB/2009/3, <https://ssrn.com/abstract=1744076> or <http://dx.doi.org/10.2139/ssrn.1744076>

2. According to the WTO non-tariff barriers to trade are bureaucratic or legal issues that impede trade including import licensing, rules for valuation of goods at customs, pre-shipment inspections, rules of origin ('made in'), and trade prepared investment measures. WTO, “Non-tariff barriers: red tape, etc”, accessed November 2016, https://www.wto.org/english/thewto_e/whatis_e/tif_e/agrm9_e.htm

3. According to the WTO “If a company exports a product at a price lower than the price it normally charges on its own home market, it is said to be “dumping” the product.”. The WTO Agreement regulates “how governments can or cannot react to dumping — it disciplines anti-dumping actions.” WTO, “Anti- dumping”, accessed November 2016, https://www.wto.org/english/tratop_e/adp_e/adp_e.htm

4. Countervailing duties are an import tax on subsidized imports to prevent dumping or counter export subsidies. The WTO “disciplines the use of these subsidies, and it regulates the actions countries can take to counter the effects of subsidies” through the WTO Agreement on Subsidies and Countervailing Measures. WTO , “Subsidies and countervailing measures”, accessed November 2016, https://www.wto.org/english/tratop_e/scm_e/scm_e.htm

5. The WTO allows for safeguards or emergency protection from imports; hence, (a) WTO member may take a “safeguard” action (i.e., restrict imports of a product temporarily) to protect a specific domestic industry from an increase in imports of any product which is causing, or which is threatening to cause, serious injury to the industry. WTO, “Safeguard Action”, accessed November 2016, https://www.wto.org/english/tratop_e/safeg_e/safeg_e.htm

6. DITC, UNCTAD, Trade Analysis Branch, “International Classification of Non-tariff Measures”, 2 February 2015, (UNCTAD/DITC/TAB/2012/2/Rev.1), http://unctad.org/en/PublicationsLibrary/ditctab20122_en.pdf

7. OECD, “Implementation of the WTO Trade Facilitation Agreement: The Potential Impact on Trade Costs”, OECD Trade and Agriculture Directorate, June 2015, http://www.oecd.org/trade/WTO-TF-Implementation-Policy-Brief_EN_2015_06.pdf

appropriate authorities on trade facilitation and customs compliance issues.”¹ It also contains measures for providing technical assistance and capacity building to this end. Similarly, the G20 Strategy for Global Trade Growth promoted the need for capacity building and technical assistance in developing countries. G20 members also emphasized the need to continue monitoring trade costs drawing attention to the work of OECD, WTO and World Bank.

Furthermore, the G20 Strategy for Global Trade Growth emphasized the need for “individual country actions to address trade costs, and to reduce the time and uncertainty of moving goods and services, including by addressing behind the border measures.” It underlined that these actions could be incorporated into national growth strategies. In recent years, the links between behind the border measures that restrict foreign investment, trade and GVCs are explored. (See Next Section 4.2.3. Harnessing Policy Coherence between Trade and Investment)

4.2.3. Harnessing Policy Coherence between Trade and Investment

According to the UNCTAD “World Investment Report 2016”, there was a 38 per cent rise in worldwide FDI inflows between 2014 and 2015 with overall inflows reaching 1,762 billion US dollars in 2015, their highest level since the 2008–2009 global crisis. The same report also notes significant differences between country groups and regions with developed countries making larger gains in 2015 (although developing Asia remained the largest FDI recipient). FDI inflows to developed economies almost doubled to 962 billion, US dollars while developing economies witnessed their FDI inflows reach a new high of 765 billion. US dollars G20 countries attracted half of global world FDI flows in 2015 – a low percentage considering G20 countries account for over three quarters of global GDP. Moreover, almost two thirds of the total inflows were received by only three G20 countries, the United States, China and Brazil.²

Cross-border investment flows can have a positive impact on overall investment as well as serving as an important venue to facilitate the transfer of financial capital, and foreign exchange to developing countries. FDI can also introduce new technologies and processes into developing countries, enhance efficiency and productivity of local competitors and upgrade their labour force skills.³

Yet, Justin Yifu Lin, former Chief economist and senior vice president of the World Bank, notes that capital has been flowing from low- to high-income countries, leading to the depletion of capital in developing countries, hence hindering developmental benefits of FDI and causing the global income gap to widen. There are multiple reasons for this trend including the lack of investment facilitation in

1. G20, “G20 Strategy for Global Trade Growth”, G20 China, September 2016.

2. UNCTAD, World Investment Report 2016 - Investor Nationality: Policy Challenges, (Geneva: UN, 2016).

3. OECD, “Developments in Investment and Policy Challenges”, OECD paper for the G-20, June 2016.

developing countries¹. Investment facilitation covers a broad range of areas including “transparency, investor services, simplicity and efficiency of procedures, coordination and cooperation, and capacity building are among the important principles”.² At the same time, foreign direct investment can be impeded by behind the border measures such as measures affecting competition, trade-related investment measures (i.e. local content requirements³), government procurement restriction measures and restrictions related intellectual property measures and rights⁴.

On a positive note, according to UNCTAD, 85 percent new domestic investment policy measures introduced in 2015 were geared towards investment liberalization and promotion - above the average between 2010 and 2014 (76 per cent)- while only 15 percent were new restrictions or regulations on investment. China and India were the most active in opening up some of their industries to foreign investors. On the other hand, new restrictive or regulatory measures were largely related to the entry and establishment of investments reflecting concerns about foreign investment in strategic industries and national security considerations while some countries introduced measures to tackle tax evasion. The introduction of restrictive or regulatory measures was higher in developed countries compared to developing or transition economies.⁵

UNCTAD predicts that global FDI flows will drop by 10-15 per cent in 2016 as a result of weak global economic conditions, low demand and weak growth in some commodity exporting countries as well as due to introduction of policies to curb tax evasion and low profits of MNEs. While UNCTAD predicts global FDI flows to resume growth in the medium term, starting in 2017, according to the findings of UNCTAD’s business survey, less than half of all MNEs expect FDI increases through 2018. Main factors cited by executives that will hinder global FDI activity are geopolitical uncertainty, volatility in exchange rates and debt in emerging markets, as well as other issues such as terrorism and cyber threats⁶.

1. Justin Yifu Lin, “China’s G20 Agenda: Call for a Multilateral Investment Framework for Development”, in *G20 Hangzhou Summit 2016 Proposals for Trade, Investment, and Sustainable Development Outcomes* ed. Shuaihua Cheng (Geneva: International Centre for Trade and Sustainable Development (ICTSD), 2016), http://www.ictsd.org/sites/default/files/research/G20%20Hangzhou%20Summit%20Proposals%20for%20Trade%2C%20Investment%2C%20and%20Sustainable%20Development%20Outcomes_0.pdf

2. UNCTAD, *World Investment Report 2016 - Investor Nationality: Policy Challenges*, (Geneva: UN, 2016).

3. According to the UNCTAD classification, trade-related measures that restrict investment are local content requirements and trade balancing measures. Local content measures include [r]equirements to purchase or use certain minimum levels or types of domestically produced or sourced products, or restrictions on the purchase or use of imported products based on the volume or value of exports of local products.” Trade-balancing measures are [r]estrictions on the importation of products used in or related to local production, including in relation to the amount of local products exported; or limitations on access to foreign exchange used for such importation based on the foreign exchange in? ows attributable to the enterprise in question. DITC, UNCTAD, Trade Analysis Branch, “International Classification of Non-tariff Measures”, 2 February 2015, (UNCTAD/DITC/TAB/2012/2/Rev.1), http://unctad.org/en/PublicationsLibrary/ditctab20122_en.pdf

4. Ibid.

5. UNCTAD, *World Investment Report 2016 - Investor Nationality: Policy Challenges*, (Geneva: UN, 2016).

6. Ibid.

Another issue is that there is no multilateral framework to govern cross border investment. By the end of 2015 there were 3,304 treaties¹ that regulate international investment, a situation that amplifies fragmentation and complexity, all contributing to transaction costs and leaving gaps in coverage.

Against this global backdrop, in 2016 the Chinese G20 presidency made cross border investment a top priority. China is the third-largest investing country worldwide, after the United States and Japan and measured in by FDI stock, it became the largest investor in LDCs in 2015, ahead of the United States².

In 2016, G20 members committed themselves “to making trade, investment and other public policies, at both national and global levels, coherent, complementary and mutually reinforcing, including in reforms outlined in national growth strategies.”³ They also committed to adopting “policies that support expanded, sustainable and more inclusive GVCs, and that encourage greater participation and value addition by business in developing countries.”⁴ Similarly, the G20 trade ministers underlined that global investment flows “should contribute to building productive capacity, facilitate wider dissemination of technology, creation of employment and, including through Global Value Chains (GVCs), help to connect economies to world trade.”⁵ They agreed to take actions to promote investment, especially in Low Income Countries (LICs).

Aiming to identify and to address policy inconsistencies or gaps and develop recommendations to improve policy coherence, the G20 Strategy for Global Trade Growth drew attention to the report by the WTO, UNCTAD, OECD and World Bank, on the relationship between trade and investment. G20 members welcomed further work to identify ways to enhance coherence and complementarity between trade and investment regimes. In this relation, the G20 trade ministers took note of the B20’s recommendation for “the WTO Working Group on the Relationship between Trade and Investment” to resume its work.⁶

4.2.3.1. The G20 Guiding Principles for Global Investment Policymaking

In 2016, the G20 developed the G20 Guiding Principles for Global Investment Policymaking to kick off the discussion for a transparent, and predictable multilateral investment framework that will address uncertainties associated with cross-border investment. The leaders endorsed the principles to “foster an open, transparent and conducive global policy environment for investment.”⁷

1. Ibid.

2. Ibid.

3. G20, “G20 Strategy for Global Trade Growth”, G20 China, September 2016.

4. Ibid.

5. G20, G20 Trade Ministers Meeting Statement, 9–10 July 2016.

6. Ibid.

7. G20, G20 Leaders' Communique, Hangzhou Summit, 4-5 September 2016.

The principles are non-binding with a stated objective to “(i) foster[e] an open, transparent and conducive global policy environment for investment, (ii) promot[e] coherence in national and international investment policymaking, and (iii) promot[e] inclusive economic growth and sustainable development.”¹ (See Section 2.1.3. Open Science and IPR Protection)

4.2.4. Boosting Trade in Services

Services constitute more than two-thirds of global GDP². According to the OECD, trade in services constitute more than 40 percent of global trade while trade costs in services are high, averaging twice the costs for goods.³ Services are critical for GVCs representing about 70 percent of trade in intermediate inputs, and more than 30 percent of the total value added in manufacturing goods⁴. Further, GVCs require services such as well-functioning transport, logistics, finance, communication among others. As a result, services are also a catalyst for FDI ensuring swift flows of capital and goods.

In the G20 Strategy for Global Trade Growth, G20 members committed to expand trade in services and to support “open, transparent, and competitive services market.”⁵ This commitment underlined the participation of developing countries’ service providers in GVCs.

Lastly, the G20 Strategy for Global Trade Growth encouraged the WTO, OECD and World Bank to continue their analytical work on clarifying “the role of service sectors in the overall economy and along supply chains, their contribution to trade growth and economic development, as well as to the achievement of public policy objectives.” For the G20, such analytical work would help in identifying policy options “to improve efficiency, productivity and welfare”, and pointing to reductions in trade costs in G20 services markets “taking into account their different levels of development.”⁶

4.2.5. Addressing Issues Related to Availability of Trade Finance

As high as 80 percent of global trade is supported by some kind of financing or credit insurance. Global value chains have introduced globalised trade finance. Supply-chain financing operations are critical for trade.⁷

1. G20, “G20 Guiding Principles for Global Investment Policymaking”, G20 China, 2016.

2. World Bank data.

3. OECD, “Developments in Trade and Policy Challenges”, OECD Paper for the G20, June 2016. See also OECD Services Trade Restrictiveness Index (STRI).

4. Ibid.

5. G20, “G20 Strategy for Global Trade Growth”, G20 China, September 2016.

6. Ibid.

7. World Trade Organization(WTO), *Trade Finance and SMEs: Bridging the gaps in provision*, (Geneva: WTO, 2016).

The G20 has engaged with trade finance since the financial crisis. At the London Summit in 2009, the leaders committed 250 billion US dollars over a period of two years to support trade finance through credit for exports and investment agencies as well as through the multilateral development banks. Leaders also called on their regulators to be flexible as much as possible in capital requirements for trade finance.¹ Thereafter, trade finance was one of the key priorities of the Seoul Multi-Year Action Plan On Development.

In 2016, the G20 Strategy for Global Trade Growth emphasized addressing the trade financing gaps among the poorest countries, particularly in Africa, developing Asia and Small Island developing states. The Strategy pointed to the lack of access know-how and skills in handling trade finance instruments in these regions.

At the same time, the Strategy pointed to the recommendations of the WTO report entitled "Trade Finance and SMEs: Bridging the gaps in provision". The report indicated that SMEs face the greatest challenges in accessing affordable financing with over half of their trade finance requests being turned down compared to just 7 percent for multinational companies. Developing country SMEs face the greatest challenges. The report states that the unmet demand for trade finance may be as high as US 1.4 trillion US dollars in 2014 and that low income countries are at a greater disadvantage. The report also draws attention to the large gaps in provision of trade finance in Africa and developing Asia – as underlined by the trade growth strategy – where estimated values of unmet demand for trade finance are US 120 billion US dollars (one-third of Africa's trade finance market) and US 700 billion US dollars, respectively.²

To address the large gaps in trade finance, the WTO report makes recommendations. These include reducing limitations in existing multilateral programmes, increasing size of trade finance facilitation programmes and setting a realistic target for total trade coverage i.e. increasing the trade volume by all existing multilateral trade finance facilitation programmes from 30 billion to 50 billion US dollars per annum as well as enhancing capacity building support i.e. helping local banking sectors to grow by improving training programmes, monitoring of problems with provision and maintaining a closer dialogue with regulators.³

The G20 Strategy for Global Trade Growth drew special attention to multilateral and regional development banks' existing trade finance facility programs, which relate to the first three recommendations of the WTO report. In this relation, the Strategy further noted the WTO Director-General, Roberto Azevêdo's remarks on increasing the availability of trade finance through existing multilateral trade finance facilitation programmes. Referring to the WTO report, the WTO Director General Roberto Azevêdo

1. G20, *G20 Leaders' Statement*, London Summit, 2 April 2009.

2. WTO, *Trade Finance and SMEs: Bridging the gaps in provision*, (Geneva: World Trade Organization, 2016).

3. Ibid

called for multilateral development banks to examine the limitations of existing trade finance facilitation programmes and to increase trade volume supported by all existing multilateral trade finance facilitation programmes from the current 30 billion to 50 billion US dollars per annum.¹

4.2.6. E-commerce Development

According to UNCTAD, the value of global business –to –business(B2B) e-commerce exceeded 15 trillion US dollars and business –to –consumer(B2C) e-commerce exceeded 1.2 US dollars trillion US dollars in 2013. The latter although considerably smaller seems to be growing faster.²

As part of the G20's new innovation agenda, the G20 Digital Economy Development and Cooperation Initiative had focused on cross-border trade facilitation for e-commerce. This Initiative highlighted international efforts to measure e-commerce, including the macroeconomic consequences of the digital economy, as well as cooperation to protect consumers' rights. (See Section 2.3.1 Securing Conditions for a Comprehensive Digital Economy Agenda)

Similarly, the G20 Strategy for Global Trade Growth underlined the need to deepen cooperation to adapt to transformations in economic and trade structures that are emerging with digital trade and technology. Pointing to the need for more research on e-commerce, in the Strategy, G20 welcomed inputs by OECD, UNCTAD and WTO on e-commerce in international trade.

The Strategy paid special attention to opportunities that e-commerce provides for SMEs' participation in global trade. With an aim to facilitate better access for SMEs and developing countries, the G20 Strategy encouraged "dialogue among governments and businesses to identify the opportunities and challenges in developing e-commerce, and to research and discuss trade-related policy issues, standards and patterns."³

Both the leaders' communiqué and the Strategy took note of the B20's initiative on an Electronic World Trade Platform (eWTP). In 2016, Jack Ma – owner of Chinese e-commerce giant Alibaba – who chaired the B20's SME Development Taskforce in 2016 – promoted the eWTP idea. According to the Alibaba website, the eWTP would be set up as an international organization to complement the WTO. Accordingly, the organization aims to "mak [e] it easier for SMEs to take part in global trade via e-commerce by simplifying regulations, lowering barriers to entry to new markets and providing small businesses with easier access to financing."⁴

1. WTO, "Working Group on Trade, Debt and Finance - Remarks by Director-General Roberto Azevêdo", World Trade Organization, 31 May 2016, accessed on November 2016, https://www.wto.org/english/news_e/spra_e/spra125_e.htm

2. UNCTAD, *Information Economy Report 2015: Unlocking the Potential of E-Commerce for Developing Countries* (New York and Geneva: United Nations, 2015).

3. G20, "G20 Strategy for Global Trade Growth", G20 China, September 2016.

4. Tom Brennan, "Ma's call for inclusive trade heard by G20, WTO", Alizila, 6 September 2016, accessed November 2016, <http://www.alizila.com/mas-call-for-inclusive-trade-heard-by-g20-wto/>

4.2.7. Trade for Development

A framework for trade for development has been on the G20 agenda since the Seoul Summit. The Seoul Development Consensus for Shared Growth and the Multi-Year Action Plan On Development to implement this consensus, was specifically aimed at enhancing the role of developing countries and low income countries (LICs) in different priority areas including trade.

The G20 Strategy for Global Trade Growth's approach to trade for development is based on G20's previous work on the relationship between trade and development (the Multi-Year Action Plan On Development), as well as in relation to trade's crucial part in achieving the SDGs. Accordingly, the G20 members committed to put trade in the service of development as set out in the Strategy itself. This agenda underlined that trade and investment facilitation will boost "the ability of developing countries and SMEs to participate in and move up the value chain in GVCs"¹, and that economic diversification and industrial upgrading in developing countries are critical. Accordingly, the Strategy drew attention to "initiatives aimed at broadening the participation of low income countries in RTAs, addressing issues related to availability of trade finance, supporting sound agriculture policies, investment and trade in support of the SDGs, facilitating participation in GVCs, promoting responsible business conduct, enhancing trade-related skills development, and advancing and sharpening the Aid-for-Trade initiative."²

Some of these issues are addressed in the Multi-Year Action Plan On Development since Seoul (i.e. trade finance, Aid-for-Trade initiative). Similarly, the G20 Action Plan on the 2030 Agenda for Sustainable Development supported trade for development. The Action Plan emphasized the need to utilize the Trade and Investment Working Group (TIWG) for delineating "approaches and actions to promote global trade growth, enhance investment policy coordination and cooperation, and support activities to help low income and developing countries and SMEs better integrate into the Global Value Chains (GVCs)."³ Further, G20 members examined policy areas in the Action Plan addressing those efforts needed to enhance access to trade finance, strengthen development of trade related skills development, and advance the aid-for-trade initiative.

Also in line with the 2030 agenda for sustainable development, in the G20 Strategy for Global Trade Growth the G20 committed to make efforts in the direction of operationalizing their commitment in the Addis Ababa Action Agenda to "integrate sustainable development into trade policy at all levels"⁴.

Finally, the Strategy drew attention to the suggestion by some members of the G20 Trade and Investment

1. G20, "G20 Strategy for Global Trade Growth", G20 China, September 2016.

2. Ibid.

3. G20, "G20 Action Plan on the 2030 Agenda for Sustainable Development", G20 China, September 2016.

4. G20, "G20 Strategy for Global Trade Growth", G20 China, September 2016.

Working Group (TIWG) to examine trade-related measure that could alleviate the negative consequences of large number of refugees in low and middle income countries hosting refugees.

4.2.8. Developing a World Trade Outlook Indicator

The G20 Strategy for Global Trade Growth drew attention to issues related to statistical measurement of trade on various occasions. Among these issues are monitoring of trade costs (Section 4.2.2. Lowering Trade Costs), monitoring protectionism (Section 4.1.5. Keeping Economies Open) and measuring e-commerce in international trade (Section 4.2.6. E-commerce Development).

Pointing to the benefits of better information on changing circumstances, which impact trade and economic growth, the leaders pointed to the World Trade Outlook Indicator. The indicator was released by the WTO for the first time at the G20 Trade Ministers meeting to provide an “early warning” system for addressing the changing circumstances that impact trade and economic growth.

4.2.9. Structural Problems

During the April OCED steel meeting, 25 nations, including the U.S. and the EU, confronted China over its overcapacity in steel production. Accompanied by weak global demand, Chinese steel flooded world markets. In his opening remarks at the Opening Ceremony of the B20 Summit in Hangzhou, President Xi Jinping reaffirmed China’s commitment “to cut down production capacity of crude steel by another 100 million to 150 million tons in the next five years, close more coal mines with production capacity of around 500 million tons and cut production capacity of around 500 million tons through coal mine restructuring in three to five years.”¹

In 2016, the leaders stated that overcapacity is a “global issue which requires collective responses.”² The leaders underlined that excess capacity in steel and other industries have had negative impact on both trade and workers. They acknowledged “that subsidies and other types of support from government or government-sponsored institutions can cause market distortions and contribute to global excess capacity.”³ They committed to enhance communication and cooperation to respond to the problem of over-supply. They also committed take effective steps to enhance market functioning and encourage adjustments.

To this end, leaders called for the formation of a Global Forum on steel excess capacity to facilitate information sharing and cooperation. The OECD will facilitate the Forum with participation of G20 members and interested OECD members and will provide a progress report to the relevant G20 ministers in 2017.

1. Xi Jinping, “A New Starting Point for China’s Development a New Blueprint for Global Growth”, Keynote Speech by H.E. Xi Jinping, President of the People’s Republic of China, at the Opening Ceremony of the B20 Summit, Hangzhou, 3 September 2016, accessed November 2016, http://www.fmprc.gov.cn/mfa_eng/wjdt_665385/zyjh_665391/t1396112.shtml.

2. G20, G20 Leaders’ Communique, Hangzhou Summit, 4-5 September 2016.

3. Ibid.

SECTION 5: Inclusive and Interconnected Development

Aid and development have been on the G20 agenda since its early day notwithstanding the fact G20 was established in 1999 in response to Asian financial crisis. Aid and development were supported by emerging markets in the G20 that were aware of the binding constraints within the international architecture that faced them.¹ The elevation of the G20 from a meeting of finance ministers and central bank governors to the leaders' level in 2008 coincided with an emphasis on broader policy responses to the 2008 crisis. In addition to the finance track that focuses on economic and financial matters – guided by ministers of finance and central bank governors since 1999 – the leaders introduced the sherpa track to deal with non-financial issues including development, employment, trade and corruption among others .

The G20 development agenda was formally launched at the Toronto Summit when the leaders established the G20 Development Working Group (DWG) with an objective to form a G20 development agenda and multi-year action plans to be adopted at the Seoul Summit. In November 2010, G20 leaders adopted the Seoul Development Consensus for Shared Growth and the Multi-Year Action Plan on Development (MYAP) to implement this consensus. Nine action “pillars” were identified for the MYAP: infrastructure, human resource development, trade, private investment and job creation, food security, growth with resilience, financial inclusion, domestic resource mobilization and knowledge sharing². The Development Working Group (DWG) was assigned the task of implementing the Multi-Year Action Plan and monitoring progress by reporting to the Sherpas.³ Subsequently, in 2013 the leaders endorsed the St Petersburg Development Outlook, which narrowed down the focus of the MYAP to five core priority areas: food security (including nutrition), financial inclusion and remittances, infrastructure, human resource development and domestic resource mobilization.

In parallel to the work of the DWG, the G20 developed other work streams on issues addressed in the MYAP . For instance, financial inclusion and remittances have been addressed by the finance track and the GPFI, food security and nutrition by the agriculture Deputies and finance tracks , infrastructure by the Investment and Infrastructure Working Group, human resource development by the Employment Working Group, access to energy with the Energy Sustainability Working Group, and tackling corruption by the Anti-Corruption Working Group. In 2016 , the Trade and Investment Working Group was established .

Starting with the Australian presidency in 2014, development discussions began to take shape within the broader G20 agenda. The Australian presidency focused on three priority areas for development:

1. Annmaree O'Keeffe, “Should the G20 Be Addressing Global Poverty and Development?”, in “Development and the G20”, Lowy Institute for International Policy, G20 Monitor No. 5 , August 2013, https://www.lowyinstitute.org/sites/default/files/g20_monitor_the_g20_and_development__0.pdf.

2. G20, “Multi-Year Action Plan on Development”, G20 Seoul Summit, 11-12 November 2010.

3. G20, “Seoul development consensus for shared growth”, G20 Seoul Summit, 11-12 November 2010.

facilitating financial inclusion and remittance flows (also related to the finance track), strengthening tax administration and policy development capacity (domestic resource mobilisation) (related to the G20/OECD BEPS global tax initiative) , and financing for infrastructure investment (an area that was prioritized as part of the G20 collective growth strategy).

2015 was a critical year for international development cooperation in which long-term UN development initiatives came into effect. First, UN members adopted the Addis Ababa Action Agenda at the third International Conference On Financing for Development (FFD) in June 2015. Second, the sustainable development goals (SDGs) were adopted by member states at the UN General Assembly meeting in New York in September 2015. Third, UN members adopted the first ever legally binding global climate deal at the Conference of the Parties (COP) meeting on the UN Framework Convention on Climate Change (UNFCCC) that took place in Paris in December 2015.

Most significantly, the newly adopted SDGs, unlike MDGs, target both developed and developing countries speaking to global interconnectedness and rising within country imbalances. Hence, there has been a shift in the understanding of funding from aid flows from developed to developing to domestic capacity enhancement and financing. Global challenges of unemployment, climate change, healthcare, food security , underscored the critical importance of a new development agenda to address these issues at a global level .

In parallel to new developments, the G20's inclusive growth agenda has increasingly moved beyond a focus on developing countries to include a focus on inequalities within the G20. For instance, the Employment Working Group's agenda emphasizes skill and workforce challenges across G20 countries including some advanced ones, which continue to experience stubborn unemployment, especially youth unemployment in the post-crisis period.

In 2015, the Turkish presidency brought development to the center of its agenda. The presidency prioritized the implementation of the post-2015 global development agenda. At the Antalya Summit, G20 Leaders committed to implement the 2030 Agenda for Sustainable Development, and agreed on developing an action plan in 2016 to further align the G20's work with the UN 2030 Agenda. G20 Leaders also adopted the G20 and Low-Income Developing Countries Framework that gave an overview of the G20's development-related work under different work streams and drew attention to principal areas that the G20 could consider in aligning its work with the 2030 Agenda. Furthermore, the Turkish presidency made inclusiveness one of its overarching three priorities and set low income developing countries and SMEs as cross-cutting priorities. The Employment Working Group was particularly active during the Turkish presidency with the SME agenda being included in the G20's job creation agenda.

Under China's presidency in 2016, development remained high on the G20's agenda, including as a cross-cutting priority. Inclusive and interconnected development was one of the key priorities of the Hangzhou Summit under the theme of —“Toward an Innovative, Invigorated, Interconnected and Inclusive World Economy.”

In 2016, the leaders endorsed the G20 Action Plan on the 2030 Agenda for Sustainable Development. The G20 collective actions framed by the 16 Sustainable Development Sectors (SDS) draw on the G20 Framework for Strong, Sustainable, and Balanced Growth in the finance track (i.e. growth strategies, international financial architecture and green finance are included as SDS) as well as the G20's multi-year development agenda in the Sherpa track. Hence, the issues identified in the new G20 Action Plan on the 2030 Agenda for Sustainable Development reflect the G20 growth priorities including the new innovation agenda.

While the G20 Action Plan on the 2030 Agenda for Sustainable Development shows similarities with previous G20 development work (MYAP and the St Petersburg Development Outlook), the new framework seems to be better integrated into the wider G20 growth agenda and the UN agenda. The emphasis on coordination between the development working group and other working streams will be important to the success of the new framework.

In 2016, the Chinese presidency adopted a comprehensive approach to boost development in Africa by prioritizing broad scale industrialization of the continent. The industrialization perspective differs from earlier approaches to Africa and low income countries in that it encompasses a host of factors including energy, trade, infrastructure and employment. At the same time, the industrialization agenda for Africa and Least Developed Countries figured significantly in the new innovation agenda as well as the energy, trade and infrastructure agendas.

In the infrastructure agenda, the Chinese presidency focused on infrastructure projects that enhance connectivity, which was identified as a key input in the Chinese presidency's industrialization of Africa agenda to facilitate developing regions' access to regional and inter-regional trading links. Another cross-cutting priority was the emphasis on qualitative investments referring to socially inclusive and environmentally sustainable projects underlined by the presidency's green finance agenda (See Section 3.3.2 Cooperation for Green Finance and Mobilizing Private Capital) and industrialization in Africa and Low-income Developing Countries initiative (See Section 5.2.2. Voluntary Policy Options to Promote Industrialization in Africa and Low-income Developing Countries (LDCs)).

In the employment agenda, the leaders adopted the Sustainable Wage principles and emphasized social protection systems speaking to concerns of advanced countries as much as they do of developing ones. Furthermore, the emphasis on innovation continued, in terms of innovation and unleashing entrepreneurial potential as a means to boost job creation (the leaders adopted the G20 Entrepreneurship Action Plan) as well as adapting workforce skills to changing technological environment (Also discussed extensively in the new innovation agenda, see Section 2.1.2. Sharing experiences in STEM education, joint research and collaboration in innovation and entrepreneurship for workforce skills and human capital, Section 2.2.3. Addressing challenges to employment and workforce skills and Section 2.3.1. Securing conditions for a comprehensive digital economy agenda).

In the agriculture agenda, there was also strong emphasis on technology and its contribution to sustainable

agricultural productivity as well as on the smallholders integration into food value chains. The leaders supported the opening of the first G20 Agricultural Entrepreneurs Forum (AE20), which highlights the expansion of agricultural investment in developing countries by increasing dialogue and exchange between the entrepreneurs and other stakeholders. The first meeting of the AE20 brought together entrepreneurs, scientists and policymakers on issues of global agriculture and food security cooperation. Hence, innovation and investment are cross cutting themes for sustainable agriculture and food value chains.

5.1. Alignment of G20 Development and UN Agendas

The G20 engaged with the UN development agenda since it incorporated the Seoul Development Consensus in 2010. The G20 leaders for the first time recognized the UN's Sustainable Development Goals (SDGs) framework at the St. Petersburg Summit in 2012. In the St Petersburg Development Outlook, endorsed by the leaders, the G20 committed to ensure that the G20 development agenda is responsive to the Post-2015 Development Agenda (referring to the SDGs)¹.

In 2015, the Turkish G20 presidency enhanced the G20's engagement with the UN agenda. The presidency's inclusiveness priority as well as cross-cutting priorities of low-income developing countries (LIDCs) and SMEs² coincided with the year in which long-term UN development initiatives came into effect. First, UN members adopted the Addis Ababa Action Agenda at the third International Conference On Financing for Development (FFD) in June 2015. Second, the sustainable development goals (SDGs) were adopted by member states at the UN General Assembly meeting in New York in September 2015. Third, UN members adopted the first ever legally binding global climate deal at the Conference of the Parties (COP) meeting on the UN Framework Convention on Climate Change (UNFCCC) that took place in Paris in December 2015.

By the end of 2015 there were signs that the G20's development focus was becoming better aligned with the SDG agenda. In the Antalya communiqué in November 2015, the leaders proposed "an action plan" to better align the G20's development focus with the 2030 Agenda. The Chinese presidency's priorities document reiterated this message and proposed that G20 member countries prepare national plans for the implementation of the 2030 Agenda to be used for a G20 collective action plan.

At the Hangzhou Summit, the leaders endorsed the G20 Action Plan on the 2030 Agenda for Sustainable Development and its "high level principles". In addition to the high level principles, the Action Plan

1. G20, "Saint Petersburg Development Outlook", G20 Russia, 2013.

2. G20, Turkish G20 Presidency Priorities for 2015, 1 December 2014, <https://g20.org/wp-content/uploads/2014/12/2015-TURKEY-G-20-PRESIDENCYFINAL.pdf>.

includes “G20 Collective Actions for Sustainable Development” based on 16 Sustainable Development Sectors (SDS) that G20 will prioritize in the SDG agenda. The SDS reflect G20 priorities in the finance track (i.e. growth strategies, international financial architecture and green finance) as well as a continuation of the G20’s multi-year development agenda in the Sherpa track. Hence, the issues identified in the G20 Action Plan on the 2030 Agenda for Sustainable Development reflect the G20 growth priorities including the new innovation agenda.

The Action Plan also included sections on “Strengthening G20 Coherence and Coordination on Sustainable Development” (including an annex on ‘Specific arrangements on the role of the DWG’), “Accountability and Engagement,” as well as a section on “National Actions and Opportunities for Mutual Learning” (including an outline of the presentations on national actions by the G20 members).

5.1.1. The G20’s Role in the Implementation of the 2030 Agenda

The leaders committed to enhance policy coherence on sustainable development issues by further aligning their work with the 2030 Agenda. The 2030 Agenda is inclusive of the Sustainable Development Goals (SDGs) and the Addis Ababa Action Agenda on Financing for Development (AAAA). The high level principles of the Action Plan reflected G20’s overall approach to how the platform will engage and contribute to the implementation of the 2030 Agenda.

Of these principles, the leaders emphasized that G20’s engagement with the 2030 agenda will be “based on the comparative advantage and the added value of the G20 and in accordance with our national circumstances.”¹ Accordingly, the High –level Principles underlined that the G20 will “focus on sectors and themes of the 2030 Agenda where it has comparative advantage and can add value as a global forum for economic cooperation.”² In this relation, the High Level Principles section of the document indicated G20’s competitive advantage lies in its abilities to convene power and collectively support initiatives at the highest global level. The Principles also highlighted that G20 members will “implement the 2030 Agenda domestically according to [their] national priorities, needs and capacities.”³

The Hangzhou communiqué acknowledged “that the global follow-up and review of the 2030 Agenda is a UN-led process.”⁴ In this relation the High Level Principles stated that the G20 will “[s]upport efforts to report on the implementation progress of the 2030 Agenda in the context of the UN follow-up and review process, led by the High Level Political Forum on Sustainable Development.”⁵ “Accountability and

1. G20, G20 Leaders’ Communique, Hangzhou Summit, 4-5 September 2016.

2. G20, “G20 Action Plan on the 2030 Agenda for Sustainable Development”, G20 China, September 2016.

3. Ibid.

4. G20, G20 Leaders’ Communique, Hangzhou Summit, 4-5 September 2016.

5. G20, “G20 Action Plan on the 2030 Agenda for Sustainable Development”, G20 China, September 2016.

Engagement” section of the Action Plan underlined that “G20 members will avoid duplicating individual reporting within the UN, in regard to their collective and national actions”⁵

Lastly, the leaders underlined that G20 members will lead by example “through bold, transformative collective and intended national actions in a wide range of areas.”¹ The Action Plan underlined that G20 actions at the international and domestic levels will aim “to advance sustainable development outcomes, support low income and developing countries to implement the 2030 Agenda according to their national priorities, and enable the provision of global public goods.”²

The Action Plan also indicated that G20 members will “showcase” their planned activities “towards implementing the 2030 Agenda by sharing ongoing, preliminary, planned actions or processes”³, on a voluntary basis. The final section of the Action Plan, “National Actions and Opportunities for Mutual Learning”, outlined some of the member countries’ national actions and experiences on different areas including “raising public awareness of the 2030 Agenda and the link with new and emerging issues; integrating the 2030 Agenda into national decision-making based on local contexts; engaging with multiple stakeholders to plan for implementation; creating horizontal (breaking down the silos) and vertical (“localizing” the 2030 Agenda) policy coherence; financing and capacity building; reviewing and follow-up of the 2030 Agenda; fostering adaptability to risks in the implementation process of the 2030 Agenda; supporting low income and other developing countries in implementing the 2030 Agenda.”⁴

5.1.2. G20 Collective Actions: Bringing together G20 Growth and Development Priorities

G20 collective actions are framed by the 16 Sustainable Development Sectors (SDS) which are rooted in “common concerns” with an aim “to promote policy dialogue, coherence and coordination”. The SDS are Infrastructure, Agriculture, Food Security and Nutrition, Human Resource Development and Employment, Financial Inclusion and Remittances, Domestic Resource Mobilization, Industrialization, Inclusive Business, Energy, Trade and Investment, Anti-Corruption, International Financial Architecture, Growth Strategies, Climate Finance and Green Finance, Innovation, and Global Health.

Hence, the 16 SDS draw on the G20 Framework for Strong, Sustainable, and Balanced Growth in the finance track (i.e. International Financial Architecture, Growth Strategies, Green Finance) and the G20’s multi-year development agenda as outlined in the Seoul Development Consensus, St Petersburg Development Outlook and the G20 - Low Income and Developing Countries Framework.

1. G20, *G20 Leaders’ Communique*, Hangzhou Summit, 4-5 September 2016

2. G20, “G20 Action Plan on the 2030 Agenda for Sustainable Development”, G20 China, September 2016.

3. Ibid.

4. Ibid.

The SDS' define the scope of G20 collective actions "towards sustainable development in its economic, social and environmental dimensions and poverty eradication as addressed in the 2030 Agenda."¹ The following issues represent the cross-cutting elements within the 16 SDS: the Means of Implementation, including, inter alia, finance, technology and capacity building, as agreed in the 2030 Agenda and its SDGs and the AAAA; the systematic mainstreaming of gender equality and women's political and economic empowerment; and the protection of the planet and its natural resources.

In the follow up to the summit, the Development Working Group (DWG), together with other G20 work streams, was tasked with forming a list of comprehensive and concrete actions for the implementation of the 2030 Agenda before the G20 Summit in 2017.

The G20 also noted that the Action Plan is a starting point. It does not intend to address all UN SDGs. The identified SDS point to ongoing, mid and long-term G20 commitments. Thus the agenda proposed in the Action Plan is not fixed, but the Plan is a "living document" consistent with the 2030 Agenda intended to be in effect for 15 years. Further, the G20 intends to update the Action Plan according to the priorities of successive G20 presidencies as well as in view of emerging challenges. In relation to the latter, the Action Plan took note of migration as an issue that may gain in importance.

5.1.2.1. Sustainable Development Sectors (SDS) - Highlights in 2016

The Action Plan described recent G20 activities in each of the 16 SDS. Of these, the leaders paid particular attention to two areas. First, the leaders drew attention to the principles of the Addis Tax Initiative (under SDS "domestic resource mobilization"). These principles underlined that "each country has primary responsibility for its own economic and social development, and that the role of national policies, development strategies, and domestic resources is critical." Equally important the Principles acknowledged that "Official Development Assistance (ODA)... remains critically important especially for the poorest developing countries that have limited capacity to raise resources, and for key sectors like education, health and other social sectors where need is greatest."²

The Addis Tax Initiative was launched at the Financing for Development Conference in Addis Ababa in 2015 and more than 40 countries, regional and international organizations have now signed the Initiative³ The Initiative is a voluntary commitment by these countries and organizations to collectively double their spending on technical cooperation by 2020 to help developing countries raise tax i.e. through strengthening their tax administrations by enhancing tax accounting, auditing skills and data systems.

1. Ibid.

2. *Financing for Development Conference, the Addis Tax Initiative – Declaration*, Addis Ababa, 15 July 2015, https://www.addistaxinitiative.net/documents/Addis-Tax-Initiative_Declaration_EN.pdf

3. "Addis Tax Initiative", Web site, accessed November 2016, <https://www.addistaxinitiative.net/#slider-4>

Second, the leaders embraced the formation of the Technology Facilitation Mechanism and pointed to the importance of technological cooperation for achieving sustainable development (under SDS “innovation”). The Addis Ababa Action Agenda decided to establish a technology facilitation mechanism which was subsequently launched at the United Nations Summit in September 2015 along with the adoption of the 2030 UN agenda by member states.

The Technology Facilitation Mechanism is a wide-ranging collaboration between UN states, civil society, private sector, scientific community and international organizations including several UN agencies, the International Telecommunication Union (ITU), the World Intellectual Property Organization (WIPO). The Mechanism includes the establishment of a UN Inter-Agency Task Team (IATT) on Science, Technology and Innovation (STI) for the SDGs and an annual forum to discuss STI cooperation for the implementation of the SDGs and to identify technology needs and gaps on scientific cooperation, innovation and capacity-building. It also includes an online platform to map out existing STI initiatives, mechanisms and programmes to facilitate access to knowledge as well as best practices.¹

5.1.3. Strengthening G20 Coherence and Coordination on Sustainable Development

The absence of coordination between the G20 sherpa track and finance track is an acute problem. The separation of these two tracks, beginning in 2012 under Mexican G-20 presidency, contributed largely to the ineffectiveness of the development agenda. For instance, Development Working Group issues - within the jurisdiction of the sherpa's track - , such as food security, energy, financial inclusion, data collection and infrastructure, require financial tools to be implemented. Without including decision-makers in the finance track, developmental issues discussed in the G-20 sherpa track remain a passive intellectual exercise that cannot be translated into concrete policies.²

In recognition of this problem, to improve coordination and policy coherence between all G20 work streams was one of the high level principles of the G20 Action Plan on the 2030 Agenda for Sustainable Development.

The Action Plan includes an entire section on “Strengthening G20 Coherence and Coordination on Sustainable Development”, which focused on efforts to achieve integration of all G20 workstreams around sustainable development. Hence, the Action Plan proposed for all work streams and working groups in the G20 to incorporate the 2030 Agenda into their work.

1. “Technology Facilitation Mechanism”, UN Sustainable Development Knowledge Platform website, accessed November 2016, <https://sustainabledevelopment.un.org/TFM>

2. Ussal Sahbaz and Feride Inan, “Turkey and the G-20 Presidency: Implications for LIDCs and Africa”, South African Institute of International Affairs, Economic Diplomacy Programme, SAIIA Policy Insights No. 19, June 2015, <http://www.saiia.org.za/policy-insights/836-turkey-and-the-g-20-presidency-implications-for-lidcs-and-africa/file>

The Action Plan detailed a coordination mechanism. Accordingly, first, each G20 presidency is to set priority-areas towards implementing the Action Plan. Second, the G20 Sherpas will provide “leadership and strategic guidance” to the agenda while ensuring “coordination across work streams and dialogue between working groups on their activities related to the 2030 Agenda.”¹ In doing so the sherpas will work with the finance ministers.

Thirdly, the Development Working Group (DWG) will continue to lead on its earlier development priority areas. The DWG will also support the Sherpas by acting as a coordinating body and policy resource across the G20, collaborating with different work streams to form joint proposals on the 2030 Agenda (specific arrangements on the role of the DWG have also been outlined in an Annex)

5.1.4. Accountability and Engagement

As highlighted in the previous section, the G20 acknowledges that the global follow-up and review process on the 2030 Agenda is a UN-led process. The G20 aims to deliver results based specifically on the Sustainable Development Sectors (SDS) that the Action Plan has identified.

According to the high level principles, the G20 will monitor members’ “collective actions through existing accountability processes and follow-up mechanisms.” Following the St Petersburg Development Outlook, the DWG had adopted an accountability framework for its development agenda.

Accordingly, first, DWG is the body responsible for the review process of the Action Plan; it will continue to review progress through its established Accountability Framework, which includes an Annual Progress Report and a Comprehensive Accountability Report once every three years on its existing working areas while also focusing on the collective actions outlined for the implementation of the 2030 agenda. In this relation, the leaders communiqué drew attention to the second three year report, namely, the Hangzhou Comprehensive Accountability Report on G20 Development Commitments on progress over the period of 2014-2016².

Second, the Action Plan sets out to define the responsibilities of each relevant working group and work stream which will be responsible for implementing actions and tracking progress through relevant accountability processes and mechanisms. The working group and work stream can also contribute to the DWG’s accountability work by sharing progress made on relevant actions in their respective areas.

Third, the Action Plan commits to stronger cooperation with low income and developing countries as well as with other stakeholders such as international organizations, civil society, private sector as well as G20 engagement groups, which include the Business-20, the Think-20 and the Civil-20 among others.

1. G20, “G20 Action Plan on the 2030 Agenda for Sustainable Development”, G20 China, September 2016.

2. G20, “Hangzhou Comprehensive Accountability Report on G20 Development Commitments”, Hangzhou Summit, 2016.

5.2 Supporting Industrialization in Africa and LDCs

The G20 has faced criticism for not engaging with Africa adequately. Of the 54 countries on the continent, only South Africa is a G20 member. While the African Union and the New Partnership for African Development (NEPAD) are invited to the leaders' summits, their participation lacks continuity, as each year a different African country leads these organisations. Even a more pressing issue is that African policymakers are not invited to G20 working groups' meetings (including the DWG) and ministerial meetings leaving African governments out of policymaking processes that take place before the G-20 leaders' summits¹. In 2014, Paul Martin, the former prime minister of Canada and a founding member of the G20, drew attention to the urgency of including African policymakers in G20 working groups.²

Until recently, G20's focus on Africa and low income developing countries was limited to the G20's multi-year development agenda as outlined in the Seoul Development Consensus and St Petersburg Development Outlook. These focused on specific priority areas such as infrastructure, food security among others. The leaders' communiqués also addressed concerns of low income developing countries under different agenda items. Yet, the G20 did not have comprehensive policy vision for low income developing countries.

In 2015, the Turkish G20 presidency placed a special emphasis on low income developing countries. The leaders adopted the G20 - Low Income and Developing Countries Framework to broaden G20's dialogue with LIDCs. The Turkish presidency also prioritized "energy access to all" with a focus on Sub-Saharan Africa. In 2015, a special meeting was held on Sub-Saharan Africa alongside the G20 energy ministers meeting.³

In 2016, the Chinese presidency continued and further developed the Turkish presidency's focus on low income countries. China invited developing country leaders to the Hangzhou Summit as well as to the Sherpa meetings. In the future, there needs to be more engagement with low income developing countries on all levels, especially at the working group level – where the actual policies are crafted, where nitty-gritty is addressed – and at ministerial meetings.

The Chinese presidency also adopted comprehensive approach to boost development in Africa by prioritizing broad scale industrialization of the continent. To this end, the G20 asked United Nations Industrial Development Organization (UNIDO), with participation of other international organizations,

1. Ussal Sahbaz and Feride Inan, "Turkey and the G-20 Presidency: Implications for LIDCs and Africa", South African Institute of International Affairs, Economic Diplomacy Programme, SAIIA Policy Insights No. 19, June 2015.

2. Paul Martin's remarks at the Economic Policy Research Foundation of Turkey (TEPAV), 21 October 2014.

3. G20, *G20 Energy Ministers Meeting Communiqué*, Istanbul, 2 October 2015.

to draft a report on the challenges and opportunities for industrialization in Africa and in other LDCs and to recommend policy measures to the G20. The UNIDO report on “Industrialization in Africa and Least Developed Countries: Boosting growth, creating jobs, promoting inclusiveness and sustainability” will form the basis of the G20 Initiative on Supporting Industrialization in Africa and Least Developed Countries launched by the G20 at the Hangzhou Summit. The Development Working Group (DWG) was assigned the task to follow up on this initiative with relevant work streams. UNIDO and other IOs will report back to the DWG in 2018 on actions to address the voluntary policy options set forth in the initiative.

To sum, the G20 Initiative on Supporting Industrialization in Africa and Least Developed Countries underlined “the need for renewed efforts to facilitate sustainable industrialization as one of the main drivers of economic growth and structural transformation in Africa and LDCs.”¹ The initiative also indicated that Africa and LDCs will not be able to meet the Sustainable Development Goals by 2030 without the industrialization effort.

At the same time, the industrialization agenda for Africa and Least Developed Countries figured significantly in the new innovation agenda as well as the energy, trade and infrastructure agendas. The industrialization perspective differs from earlier approaches to Africa and low income countries in that it encompasses a host of factors including energy, trade, infrastructure and employment. Furthermore, in the 2016 G20 context, industrialization initiative assumed a link between infrastructure and trade as well as a strong emphasis on building innovative capacities to utilize technology for sustainable energy, infrastructure and industrial projects and to enhance productivity.

5.2.1. Industrialization in Africa and LDCs: Challenges and Opportunities

The G20 initiative for industrialization laid down a number of challenges and opportunities in Africa and LDCs, as identified by the UNIDO report.

In terms of challenges, the initiative underlined structural weaknesses. First, the initiative emphasized poor infrastructure, especially the lack of secure energy and ICT infrastructure as well as low access to electricity (also part of the G20 energy agenda, see: Section 3.4.4. Energy Access).

Second, the initiative pointed to weak logistics and trade facilitation that drives up the time spent and cost of trade. In this relation, countries were required ratify and implement the WTO's Trade Facilitation Agreement (See Section 4.1.2. The Trade Facilitation Agreement (TFA) and Section 4.2.2 Lowering Trade Costs, for further discussion on the TFA).

1. G20, “The G20 Initiative on Supporting Industrialization in Africa and Least Developed Countries”, Hangzhou Summit, September 2016.

Third, the initiative drawing attention to Africa's being one of the least regionally integrated continents in the world, pointed to higher trade barriers within African countries than those between Africa and the outside world.

Fourth, the initiative underlined the absence of accreditation frameworks in Africa which prevent the integration of African firms into global markets.

A fifth challenge are socioeconomic costs of lagging structural transformation. The initiative pointed to economic, social and environmental costs pointing to lack of structural transformation that impeded creation of decent work, leaving African economies dependent on the informal sector. While recognizing that formal manufacturing may not be the most dynamic sector, the Initiative indicated that it is "the main driver of technological development and innovation and a major engine of broader sector productivity and growth."¹

At the same time, the Initiative highlighted Africa's and other LDCs' potential to industrialize. Accordingly, it pointed to Africa's natural resources consisting of 16 percent of world's arable land and rich mineral reserves as well as untapped solar, hydro and gas resources. It also emphasized Africa's favorable demographics including high level of urbanization, an emerging middle class, and its highly educated Diaspora.

5.2.2. Voluntary Policy Options to Promote Industrialization in Africa and Low-income Developing Countries (LDCs)

The initiative for industrialization in Africa and LDCs identified seven areas of voluntary policy options to guide G20's future research and actions in supporting structural transformation and industrialization. These options are based on the UNIDO report and on inputs from other international organizational.

Highlights from voluntary policy options are as follows:

Promoting inclusive and sustainable structural transformation. The policy option focused on exchange of knowledge "for good practices, policies, measures and guiding tools for capacity development."¹ It also emphasized bolstering the investment and development environment through multi-stakeholder engagement with an eye to ensure inclusion and contributions of both women and men in the industrialization process. This agenda will take into consideration "diverse national conditions, development needs and WTO rules."²

Supporting sustainable agriculture, agri-business and agro-industry development and their linkages

1. Ibid.

2. Ibid.

with other sectors. The policy option focused on improving labour productivity in agriculture. There was a strong emphasis on upgrading the technology base for agriculture through voluntary technology transfer to developing countries “in areas such as irrigation systems, water harvesting and conservation techniques, and sustainable agriculture technologies.”¹ Furthermore, the initiative emphasized training and skill upgrading of rural people to help them in developing “science and risk assessment based technical and food standards”² and harmonize their practices with WTO rules.

Deepening, broadening and updating the local knowledge and production base by exploring cooperation mechanisms. The policy option pointed to dissemination of existing good practices, policies and programs as a means to promote technical vocational education and training (TVET) through development of co-operation mechanisms including those of North-South, South-South and triangular cooperation in the areas of vocational training and industrial production as well as exploring funding options for academic chairs in applied research within key manufacturing systems.

Promoting investment in sustainable and secure energy, including renewables and energy efficiency and sustainable and resilient infrastructure and industries. The policy option indicated that initiatives should be “in line with the 2030 Agenda and Paris Agreement’s objectives and the countries’ Nationally Determined Contributions.”³ The agenda had a strong focus on the diffusion of sustainable and environmentally sound technologies in Africa and LDCs and promoting joint research. It also focused on encouraging investment and transparency in managing energy infrastructure as outlined in the G20 action plans on energy. (See Section 3.4.3. Clean Energy) Further, the Initiative called for support to countries to prepare for the risks posed by climate change.

Supporting industrialization through trade in accordance with WTO rules and identify infrastructure gaps, needs and funding requirements for sustainable infrastructure including regional and rural infrastructure—along with opportunities to promote public-private partnerships (PPPs). This policy option reflects the Chinese G20 presidency’s unique emphasis on infrastructure that enhances connectivity linking the trade and infrastructure agendas. Working towards an interconnected world economy was one of China’s overarching priorities, which is particularly relevant in providing LDCs with regional and inter-regional connections and contribute to facilitating trade. (See Section 5.6.2. Promoting Global Infrastructure Connectivity)

The policy option had a priority for initiating mechanisms to extend financial and technical support to prepare for and assess the feasibility of infrastructural and industrial projects with an eye for their investability. (Also See Section 5.6.3 Exploring Diversified Financing Approaches and Fostering Private

1. Ibid.

2. Ibid.

3. Ibid.

Financing for Investment)

Most significantly the Initiative focused on enabling investment by multi-stakeholders in a wide array of areas including “for investment in trade, connectivity, transport and industrial corridors,” as well as to “support local development of special economic zones, industrial parks and science and technology parks to attract investment and talent.”¹

Leverage domestic and external finance and support equitable access to finance in Africa and LDCs.

This policy option focused on promoting the development of SMEs, micro businesses and smallholder producers in non-commodity industries, with an emphasis on women and youth. In this relation, the industrialization initiative drew attention to the G20 Action Plan on SME Financing and enhancing awareness of this Action Plan. (See section 3.2.7. Cooperation for Financial Inclusion and SME Financing and Section 5.6.3.3.G20/OECD High-level Principles on SME Financing)

The Initiative encouraged development banks to build partnerships to mobilize resources in infrastructure and industries. It also encouraged them to provide support for enhancing institutional management capacities in countries e.g. for loan guarantee programmes that target high-growth potential industries.

Promoting science, technology and innovation as critical means for industrialization. The issue of building technological capacity runs through different policy options offered by the industrialization initiative. This specific policy option encouraged capacity development for science and technology personnel, especially women and youth and bolstering innovation systems. It also sought to encourage entrepreneurship through technological social ventures. Technology social ventures (TSV) aim to address social problems through innovative as well as financially sustainable technology based solutions.² The Initiative underlined the provision of incubating services to Africa and LDCs for entrepreneurship.

5.3. Illicit Financial Flows

In 2016, in the aftermath of the Panama papers exposure, the G20 laid special emphasis on the issue of illicit financial flows. In fifty four African countries fifty-two used offshore companies created by Panamanian law firm, Mossack Fonseca involved in the scandal; offshore companies were used in forty-one countries in oil, gas and mining deals with more than 1400 companies involved³. A report prepared by the African Union’s High Level Panel of Illicit Financial Flows shows that Africa annually loses more

1. Ibid.

2. Technology social ventures (TSV) aim to address social problems through innovative as well as financially sustainable technology based solutions: see Geoffrey Desa and Suresh Kotha, “Technology Social Venture and Innovation: Process at Benetech”, in *The New Social Entrepreneurship: What Awaits Social Entrepreneurial Ventures*, ed Francesco Perrini (Cheltenham, UK: Edward Elgar Publishing Ltd. 2006) P. 237-259

3. Alan Rusbridger, “Panama: The Hidden Trillions”, *New York Review of Books*, Volume 63, Number 16, 27 October 2016.

than 50 billion US dollars through illicit financial out flows.¹

The problem of illicit flows due to misinvoicing are particularly acute. Misinvoicing refers to the practice of misstating the price or quantity of imports or exports to transfer money abroad. The motive is generally tax evasion or avoidance of customs duties or desire to transfer a kickback or launder money.² According to one study that looked at illicit financial flow trends between 2004-2013, trade misinvoicing is the main measurable means by which funds are shifted out of developing countries illicitly. This study found that an average of 83.4 percent of illicit financial out flows (or 654.7 billion US dollars) per year are due to fraudulent misinvoicing practices.³

Against this backdrop of illicit financial flows, the leaders committed to continue addressing cross-border financial movements emphasizing deliberate trade misinvoicing. To this end, they welcomed cooperation with the World Customs Organization for a study report following the Hangzhou Summit. (See also Section 3.5.3.1. Illicit Financial Flows and Section 3.6.2. The Chinese Three-pronged Approach to Anti-corruption Cooperation)

5.4. Inclusive Business

In 2015, the Turkish presidency emphasized “inclusive business” in the G-20 development working group (DWG). The DWG organised a comprehensive workshop on this issue on 8 April 2015. The workshop focused on developing standards for inclusive business practices and investments, as well as sharing best policy practices to encourage companies to do business in low-income markets.

Under the Turkish presidency, the G20 developed the G20 Inclusive Business Framework. In this framework “inclusive business” “provide(s) goods, services, and livelihoods on a commercially viable basis, either at scale or scalable, to people living at the base of the economic pyramid, making them part of the value chain of companies’ core business as suppliers, distributors, retailers, or customers.”⁴ Inclusive business is expected to be socially and environmentally sound. They can be classified as businesses that integrate the BOP¹ into their core business strategy (inclusive business models) or those for which the low

1. UNECA, “Illicit Financial Flow - Report of the High Level Panel on Illicit Financial Flows from Africa”, United Nations Economic Commission for Africa, Addis Ababa, 2015, <http://hdl.handle.net/10855/22695>.

2. Ibid.

3. Dev Kar and Joseph Spanjers, *Illicit Financial Flows from Developing Countries: 2004-2013*, (Washington, D.C: Global Financial Integrity, December 2015), http://www.gfintegrity.org/wp-content/uploads/2015/12/IFF-Update_2015-Final.pdf

4. G20, “G20 Inclusive Business Framework”, G20 Turkey, 2015, http://www.ifc.org/wps/wcm/connect/f0784d004a9b1f2ea5f0ed9c54e94b00/Attachment+G+-+G20+Inclusive+Business+Framework_Final.pdf?MOD=AJPERES

income segment is part of but not central to their business model (inclusive business activities), or other entities with a mission to maximize the social return (social enterprise initiatives).²

At the Antalya Summit, leaders endorsed the G20 Inclusive Business Framework.³ They also issued “the G20 Leaders call on Inclusive Business”⁴ calling for the establishment of the G20 Global Platform on Inclusive Business (GPIB). The Platform was officially launched by the Chinese G20 presidency in Nanjing, China in April 2016. GPIB is currently implemented by the United Nations Development Programme (UNDP) and the World Bank Group aiming to support policymakers and facilitate the adoption of inclusive business policies and programs.

At the Hangzhou Summit, the leaders welcomed the establishment of the G20 Global Platform on Inclusive Business and the G20 Inclusive Business Report for the 2016 summit. The report focused on the ways inclusive business can support the Sustainable Development Goals; the impediments faced by businesses seeking to work with the base of the economic pyramid; and approaches to policymaking and financing to facilitate inclusive business.⁵

5.5. Development Funds

The G20 leaders in their previous communiqués have committed to the replenishment of the International Development Association and the African Development Fund.⁶ In 2016, the leaders underlined their commitment to complete the 18th replenishment of the International Development Association, as well as 14th replenishment of the African Development Fund.

1. According to the annexes of the G20 Inclusive Business Framework (2015) “...BOP is often used as shorthand to describe men and women who are low-income or who lack access to basic goods and services.” In this definition, a low-income person is someone earning less than up to \$8/day in purchasing power parity terms (PPP). The maximum income of PPP\$8 was established in the 2005 report, The Next 4 Billion and a similar limit is used by the World Bank Group’s Global Consumption Database launched in 2014.

More detailed information see, G20, “Annexes to G20 Inclusive Business Framework”, G20 Turkey, 2015, http://www.ifc.org/wps/wcm/connect/d857ed804a9b1e9ca5e3ed9c54e94b00/Attachment+H+-+Annexes+to+G20+Inclusive+Business+Framework_Final.pdf?MOD=AJPERES

2. G20, “G20 Inclusive Business Framework”, G20 Turkey, 2015.

3. Ibid.

4. G20, “G20 Leaders’ Call on Inclusive Business”, G20 Turkey, 2015, http://www.ifc.org/wps/wcm/connect/251eef804a9b1f95a5f9e9c54e94b00/Attachment+F+-+G20+Leaders'+Call+on+Inclusive+Business_Final.pdf?MOD=AJPERES

5. G20, “G20 Inclusive Business Report for the 2016 Summit, G20 China, 2016, <http://www.g20.org/English/Documents/Current/201609/P020160914598760085575.pdf>.

6. At the Pittsburgh, Cannes and Saint Petersburg summits leaders committed to ensuring adequate funds for/ successful replenishment of the concessional lending facilities of the MDBs drawing attention to the International Development Association (IDA) and the African Development Fund. G20, G20 Leaders Statement, Pittsburgh Summit, 24-25 September, 2009; G20, G20 Leaders’ Declaration, Toronto Summit, 27 June 2009; G20, G20 Leaders Statement and St. Petersburg Summit, 5-6 September 2013.

The International Development Association (IDA) or the World Bank's "Fund for the Poorest" is a large development financiers for the poorest countries that provides long-term, no-interest loans in support of antipoverty programs. Donors meet every three years to replenish IDA resources and review its policy framework. The last 17th replenishment was finalized in December 2013 resulting in a 52.1 billion US dollars replenishment to finance projects until June 30, 2017¹.

The African Development Fund (ADF) funded and administered by the African Development Bank (AfDB) Group benefits countries "that are increasing their economic capacities and heading toward becoming the new emerging markets—as well as those that remain fragile and need special assistance for basic levels of service delivery."² It provides concessional funding for projects and programs, as well as technical assistance for studies and capacity-building activities. The main focus of the ADF has been on infrastructure, governance and regional integration, as well as areas that impede growth and poverty reduction in Africa.

5.6. Infrastructure

Infrastructure can play a critical role in boosting growth and competitiveness and in job creation. Transportation (roads, railways, ports, airport) as well as energy and ICT infrastructure are critical for trade and market development and human development through access to services such as education, health, water and sanitation. According to estimates 93 trillion US dollars of investment is required in transport, energy and water infrastructure over the period of 2015-30 to meet global infrastructure demands and ensure the transition to a low-carbon economy.³ Developing countries still lack infrastructure to meet development goals. In some advanced countries, existing infrastructure is often poor, aging and lacking in maintenance and investment.⁴

Infrastructure investment has been central to both the G20 finance and sherpa tracks with the latter addressing the financing requirements of developing countries. Investments in infrastructure was part of the structural reform commitments made under the 2009 Pittsburgh Framework for Strong, Sustainable, and Balanced Growth and of coordinated individual policy frameworks. In 2010 at Seoul, infrastructure

1. "How does IDA work?", The International Development Association (IDA) - the World Bank's Fund for the Poorest, Web site, accessed November 2016, <http://ida.worldbank.org/about/how-does-ida-work>.

2. "About the ADF", African Development Bank Group Web site, accessed November 2016, <http://www.afdb.org/en/about-us/corporate-information/african-development-fund-adf/about-the-adf/>

3. The Global Commission on the Economy and Climate, *Better Growth, Better Climate*, (Washington, DC: New Climate Economy, 2014), <http://2014.newclimateeconomy.report/>.

4. OECD, "G20/OECD Guidance Note on Diversification of Financial Instruments for Infrastructure And SMES", G20 China, August 2016, <http://www.oecd.org/daf/fin/private-pensions/G20-OECD-Guidance-Note-Diversification-Financial-Instruments.pdf>

investment was identified as one of the nine pillars of the Seoul Development Consensus for Shared Growth and the Multi-Year Action Plan on Development (MYAP). The MYAP committed to close gaps in infrastructure by “overcoming obstacles to infrastructure investment, developing project pipelines, improving capacity and facilitating increased finance for infrastructure investment in developing countries, in particular low income countries (LICs).”¹

By the time of Los Cabos Summit, when economic conditions were less promising, the leaders once again were emphasizing fiscal action to boost demand in G20 countries, including through higher investment infrastructure.

In 2013, infrastructure and long term investments began to gain momentum in the finance track, during the Russian G20 presidency. At their meeting in February 2013, G20 finance ministers and central bank governors, stated “that long-term financing for investment, including infrastructure, is a key contributor to economic growth and job creation in all countries.”² The ministers and governors welcomed the diagnostic Umbrella Report prepared by international organizations on obstacles to long-term investment financing. They also agreed to establish a new Study Group on Financing for Investment.

At the St Petersburg Summit, leaders emphasised “the key role of long-term investment for sustainable growth and job creation” and committed collective and country-specific actions to enable long-term investment financing (for SMEs and particularly in infrastructural projects).³

In 2014, under the Australian presidency of the G20, private infrastructure investment became a key strategy for boosting growth. At the Canberra Deputies meeting in December 2013, the Study Group on Financing for Investment was recast as the Infrastructure Investment Working Group (IIWG).

At the same time, the emphasis on boosting public finance in infrastructure was growing in the international community. These perspectives argued that, in spite of the notions of “excessive fiscal debt” that emerged after the crisis, productive investments could actually generate a net decrease for government debt.⁴

At the Brisbane Summit, leaders recognised that “tackling global investment and infrastructure shortfalls is crucial to lifting growth, job creation and productivity”¹. The national growth strategies addressing

1. G20, “Multi-Year Action Plan on Development”, G20 Seoul Summit, 11-12 November 2010.

2. G20, G20 Finance Ministers and Central Bank Governors Communiqué, Moscow, 16 February 2013, <http://www.g20.utoronto.ca/2013/2013-0216-finance.html>

3. G20, G20 Leaders Statement, St. Petersburg Summit, 5-6 September 2013.

4. IMF, World Economic Outlook, October 2014: Legacies, Clouds, Uncertainties., (Washington DC:IMF, 2014), <https://www.imf.org/external/pubs/ft/weo/2014/02/pdf/c3.pdf>; Christine Lagarde, “Investment for the Future – Higher Investment for Stronger Growth” Speech at Recontres Econoiques d’Aix-en-Provence, 6 July 2014, <https://www.imf.org/external/np/speeches/2014/070614.htm>; Larry Summer, “Why public investment really is a free lunch”, Financial Times, 6 October 2014, <https://www.imf.org/external/np/speeches/2014/070614.htm>.

the collective additional 2.1 percent growth, included key actions to strengthen both public and private investment by improving domestic investment and financing climate. At the Summit in 2014, the G20 leaders endorsed the Global Infrastructure Initiative – a multi-year work program to lift quality public and private infrastructure investment. Moreover, leaders endorsed the establishment of the Global Infrastructure Hub (GIH) to serve as a knowledge-sharing platform and network between governments, the private sector, development banks, and other international organizations.²

Investment for growth was one of the three key priorities of Turkish G20 presidency with an emphasis on the presidency's cross-cutting priorities of inclusion of LDCs and long term financing for SMEs. Building on the Australian G20 presidency's work, in 2015, country-specific investment strategies were introduced to help countries address shortfalls in their growth commitments by stimulating more infrastructure investment. These strategies focused on policies and actions to improve the investment ecosystem; foster efficient and quality infrastructure, including by the public sector; and they highlighted support for SMEs.

In 2016, the Chinese presidency continued and further developed the infrastructure agenda of the earlier G20 presidencies. In 2016, the G20 Investment and Infrastructure Working Group (IIWG) organized its work under three pillars³. The first pillar called for “strengthening the role of MDBs and calling on them to take joint actions to further support infrastructure investment”. This move implied the inclusion of newly established development banks such as the Asian Infrastructure Investment Bank (AIIB) and the New Development Bank (NDB) in the multilateral development system, resulting in a joint declaration by these new banks and traditional development bank.

The second pillar, “promoting global infrastructure connectivity through enhanced cooperation and synergy among regional/national infrastructure initiatives”, further highlighted the Chinese presidency's special focus on infrastructure projects that enhance connectivity. This agenda was also identified as a key input in the Chinese G20 presidency's industrialisation of Africa agenda to facilitate developing regions' access to regional and inter-regional trading links (See Section 5.2.2. Voluntary Policy Options to Promote Industrialization in Africa and Low-income Developing Countries (LDCs)).

The third pillar, “exploring diversified financing approaches and fostering private financing for infrastructure investment”, was built on the work of previous presidencies on exploring diversified and innovative financing approaches, developing market-oriented financial instruments, such as PPP, capital markets and institutional investors to encourage private financing.

1. G20, *G20 Leaders' Communiqué*, Brisbane Summit, 15-16 November 2014.

2. G20, “G20 Note on the G20 Global Infrastructure Initiative and Hub”, G20 Australia, 14 November 2014, https://g20.org.tr/wp-content/uploads/2014/12/g20_note_global_infrastructure_initiative_hub.pdf.

3. G20/OECD, “G20/OECD Supporting Note to the Guidance Note on Diversified Financial Instruments, Infrastructure”, G20 China, July 2016.

In addition, a cross-cutting priority of the Chinese presidency was the emphasis on qualitative investments referring to socially inclusive and environmentally sustainable projects. This priority was also underlined by the Chinese presidency's industrialisation of Africa agenda (See Section 5.2.2. Voluntary Policy Options to Promote Industrialization in Africa and Low-income Developing Countries (LDCs)).

5.6.1 Strengthening the Role of MDBs and Calling on Them to Take Joint Actions to Further Support High Quality Infrastructure Investment

The G20 leaders have emphasized the role of the MDBs in infrastructure investments since their first meeting in Washington in November 2008¹. In the MYAP, MDBs were asked to take part in infrastructure development in developing countries. Over the years MDBs have themselves co-financed and mobilized private sector to finance infrastructure investments. They also took part in the generation and dissemination of collective knowledge about these investments and in the development of PPF or project preparation facilities. In this relation, the MDB sought to assist developing countries in prioritizing and pipelining their investments, as well as in the management of project and in the negotiation of complex legal contracts. To these ends, MDBs provided technical assistance and policy advice to investors and governments.²

During the French G20 presidency in 2011, the MDB working group³ was asked to develop an Infrastructure Action Plan - as part commitments made under the MYAP. Further, private sector experts were invited to form a High Level Panel on Infrastructure Investment (HLP) to evaluate the MDB Action Plan⁴. The HLP's subsequent report determined the criteria for selecting exemplary infrastructure.⁵

Following up on this work G20 leaders were presented the 2012 Follow-up Report on the MDB Infrastructure Action Plan at the Los Cabos Summit. The leaders also took note of the report on Best Practices for Urban Mass Transport Infrastructure in Medium and Large Cities in Developing Countries developed by the World Bank and the Asian Development Bank (ADB).¹

1. G20, *Declaration of the Summit on Financial Markets and the World Economy*, Washington DC Summit, 15 November, 2008.

2. G20, "Hangzhou Comprehensive Accountability Report on G20 Development Commitments", Hangzhou Summit, 2016.

3. The MDB work group included the African Development Bank (AfDB), the Asian Development Bank (ADB), the European Investment Bank (EIB), the Inter-American Development Bank (IDB), the Islamic Development Bank (IsDB) and the World Bank Group (WBG).

4. G20, "Saint Petersburg Accountability Report on G20 Development Commitments", Saint Petersburg, G20 Russia, 2013, <https://www.oecd.org/g20/summits/saint-petersburg/St-Petersburg-Accountability-Report-G20-Development-Commitments.pdf>

5. "High Level Panel on Infrastructure Recommendations to G20 – Final Report", Submitted to the G20, October 2011, <http://pacificenvironment.org/downloads/Resp%20Finance%20CSO%20Report%20October%202011.pdf>

At the Antalya Summit in 2015 the MDB group –this time also including the European Bank for Reconstruction and Development (EBRD) and International Fund for Agricultural Development (IFAD) – in a report addressing the challenges in developing countries involving “quality, durability and sustainability” of investment projects, drew attention to shared principles and common approaches of MDB regarding these projects.²

Furthermore, in April 2015, MDBs collectively launched the Global Infrastructure Facility (GIF) to facilitate collaboration among MDBs in their preparation and structuring of complex infrastructure PPPs. With an initial capitalisation of 100 million US dollars the GIF is expected to enable mobilisation of investments by private sector and institutional investors³.

At the same time, emerging market led development banks have risen in recent years including the New Development Bank (NDB), formerly referred to as the BRICS Development Bank and the Asian Investment and Infrastructure Bank (AIIB).

In 2016, the leaders endorsed the Chinese presidency’s efforts to enhance coordination between different regional programs for financing infrastructure investments. As part of this effort, 11 multilateral development banks (MDBs), including new ones led by emerging markets such as the Asian Infrastructure Investment Bank (AIIB) and BRICS New Development Bank, signed the Joint Declaration of Aspirations (JDA) on actions to support infrastructure investments.

At Hangzhou, the leaders welcomed the MDBs’ quantitative ambitions for high-quality infrastructure projects and “their efforts to maximize the quality of infrastructure projects,strengthen project pipelines, collaborate further among existing and new MDBs, strengthen the enabling environment for infrastructure investment in developing countries, as well as catalyze private resources”⁴ as outlined in the JDA.

The leaders stressed the critical importance of quality investments. In this relation, the MDBs committed to design their investments and provide assistance based on considerations of:^{5 6}

1. G20, *G20 Leaders’ Declaration*, Los Cabos Summit, 18–19 June 2012.

2. MDBs, “Partnering to Build a Better World: MDBs’ Common Approaches to Supporting Infrastructure Development”, Prepared by Multilateral Development Banks (MDBs) for circulation to G20 Development Working Group and G20 Investment and Infrastructure Working Group, 8 August 2015, <http://g20.org.tr/wp-content/uploads/2015/09/PPP-Guidelines-Partnering-to-Build-a-Better-World-MDBs-Common-Approaches-on-Supporting-Infrastructure-Development.pdf>

3. “Global Infrastructure Facility”, World Bank, Web site, accessed November 2016, <http://www.worldbank.org/en/programs/global-Infrastructure-facility>

4. G20, *G20 Leaders’ Communique*, Hangzhou Summit, 4-5 September, 2016

5. The considerations were also included in the Hangzhou communique.

6. “MDBs Joint Declaration of Aspirations on Actions to Support Infrastructure Investment”, Joint declaration submitted following discussions at the Infrastructure Investment Working Group (IIWG)’s meetings in 2016.

- *Economic efficiency throughout project life-cycles, as well as safety, climate change mitigation and adaptation, and resilience against natural disasters.*
- *Sustainable job creation*
- *Capacity building and transfer of expertise and know-how to local communities*
- *Social and environmental impacts*
- *Alignment of economic and development strategies at the national and regional levels*
- *Effective resource mobilization including through the use of PPPs*

5.6.1.1 G20 MDB Balance Sheet Optimization Action Plan

In 2013, the G20 asked MDBs to optimise balance sheets, to be able to accelerate lending for infrastructure projects without increasing risks or damaging their credit ratings. MDB initiatives to increase lending accompanied G20's call. In 2013, seven major MDBs had 359 billion US dollars in outstanding exposure. Since then, a change in World Bank's approach to capital efficiency, enabled an increase in total lending capacity of MDBs by 50 billion US dollars. Similarly, the Asian Development Bank has merged its non-concessional and concessional windows to make possible an estimated 70 billion US dollars in lending capacity. As significantly, three MDBs made a proposal to exchange an exposure freeing up an additional 12 billion US dollars in capacity for the African Development Bank alone.¹

In 2015, the leaders endorsed the MDB Action Plan on Balance Sheet Optimisation calling MDBs to work with their respective shareholders to increase lending by using their risk bearing capital effectively for optimal results which takes into account high risk incurred for more effective capital usage or increased amounts of third party, private sector financing or investment. The Action Plan also states that MDBs should not risk their AAA credit ratings or their ability to lend in cyclical downturns².

In 2016, the leaders called for further implementation of the Action Plan and welcomed the MDB Response to the G20 MDB Balance Sheet Optimization Action Plan³. The MDB response spoke to the challenges awaiting the banks as well as including an outline by individual MDBs on areas that have been implemented, those where additional future work is being planned. The document also stated a number of

1. G20, "Multilateral Development Banks Action Plan to Optimize Balance Sheets", G20 Turkey, 2015, <http://g20.org.tr/wp-content/uploads/2015/11/Multilateral-Development-Banks-Action-Plan-to-Optimize-Balance-Sheets.pdf>

2. Ibid.

3. The MDB Response to the G20 MDB Balance Sheet Optimization Action Plan was prepared by the African Development Bank (AfDB), Asian Development Bank (ADB), European Bank for Reconstruction and Development (EBRD), European Investment Bank (EIB), Inter-American Development Bank (IDB), International Bank for Reconstruction and Development (IBRD) and International Finance Corporation (IFC).

areas where G20's engagement can make a difference in scaling-up of financing for development.¹

5.6.2. Promoting Global Infrastructure Connectivity

One of the key priorities of the Chinese G20 presidency was infrastructure projects that enhance connectivity. In this relation China launched the Global Infrastructure Connectivity Alliance initiative highlighting synergies and cooperation among different regional programs. The G20 leaders endorsed the initiative asking for the World Bank to serve as the Secretariat of the Alliance and to enlist the support of the Global Infrastructure Hub (GIH), OECD, other MDBs, and interested G20 members.

The Alliance's main activities will be in the areas of *mapping connectivity initiatives, developing outlook on global connectivity, addressing information and solution gaps in global infrastructure connectivity, monitoring and assessing global connectivity performance, facilitating sharing of good practice on connectivity, facilitating the sharing of information on bankable projects (working with the GIH) and supporting a regional or global infrastructure connectivity program.*²

The Alliance will be open to membership for both G20 and non-G20 governments, GIH, OECD, MDBs, global and regional infrastructure programs, and other international organizations that work on connectivity initiatives in infrastructure and related services.³

5.6.3 Exploring diversified financing approaches and fostering private financing for investment.

Financing of infrastructure projects presents unique challenges. Public projects are generally large in scale, long term and illiquid. The 2008 financial crisis, however, multiplied constraints on funding infrastructure. Among such constraints are deleveraging of advanced-country banks and austerity measures in advanced countries, motivated by concerns over excessive budget deficits. Though since the crisis interest rates and government bond rates have been very low - making for low costs of financing - investment has remained low.⁴

Furthermore, funding for infrastructure projects in developing countries which has always been problematic, became more acute since the global financial crisis. Public finances have become more stretched while bank lending (which has been the main source of private sector infrastructure financing)

1. "MDB Response to the G20 Action Plan for MDB Balance Sheet Optimisation", G20 China, July 2016.

2. "Global Infrastructure Connectivity Alliance Initiative", G20 China, 2016.

3. Ibid.

4. Stephen Grenville, "Financing for Infrastructure – What Contribution Can the G20 Make?" in "Tax, Infrastructure, Anti-Corruption, Energy and the G20", Lowy Institute for International Policy, G20 Monitor No. 6 , October 2013, https://www.lowyinstitute.org/sites/default/files/g20_monitor_october_2013_0.pdf

is affected by market weakness and stricter regulation.¹ Added to these are emergent market concerns over outflows of capital from emerging markets arising from divergence of interest rate policies in advanced economies.

The financial crisis has also exacerbated financing problems in other sectors including for SMEs. SMEs have always been at a disadvantage when compared to large corporations in terms of their low access finance, under-collateralisation and high transaction costs, as well as lack of financial skills and informational opacity. Credit to the private sector as a share of GDP in developing countries is far below the average in high-income countries while SME loans represent a smaller proportion of business credit. Financing gaps for SMEs and entrepreneurs were also exacerbated by the financial crisis in advanced economies.²

Against this backdrop, new financing approaches came forth, most significantly, PPPs and other sources of private finance i.e. reallocation of flows from the banking sector to institutional investors³.

At the St Petersburg Summit, leaders committed to “a set of collective and country-specific actions that tangibly improve our domestic investment environments such that they are more favorable to long-term investment financing and can lead to an effective increase of implemented projects, particularly in infrastructure and for SMEs.”⁴ To these ends, they endorsed the G20/OECD High-level Principles of Long-term Investment Financing by Institutional Investors; and called on finance ministers for measures to enable the development of domestic capital markets and to flows of global savings for productive long-term investments. In this regard, the St Petersburg leaders’ declaration drew attention to improving the design of and conditions for productive public-private partnerships (PPPs) arrangements.

In 2014, under the Australian presidency of the G20, private infrastructure investment was one of the key strategies for boosting growth. In this relation, the new IIWG’s work focused on facilitating private investment through “i) improvements in the domestic investment climate, ii) the intermediation of global private savings, iii) new approaches to optimize Multilateral Development Banks (MDB’s) involvement, and iv) through improvements in processes and transparency of planning and prioritization and structuring of bankable investment projects, particularly in the field of public-private partnerships (PPP’s).”⁵ The

1. Georg Inderst and Fiona Stewart, “Institutional Investment in Infrastructure in Developing Countries - Introduction to Potential Models”, the World Bank Financial and Private Sector Development, Global Capital Markets and Non-Bank Financial Institutions, Policy Research Working Paper 6780, February 2014, <http://documents.worldbank.org/curated/en/238121468325297049/pdf/WPS6780.pdf>

2. OECD, “Progress Report on G20/OECD High Level Principles on SME Financing”, OECD Report to the G20 Finance Ministers and Central Bank Governors, September 2015, <https://www.oecd.org/g20/topics/financing-for-investment/G20-OECD-High-level-Principles-on-SME-Financing-Progress-Report.pdf>

3. Raffaele Della Croce and Stefano Gatti, “Financing infrastructure – International trends”, OECD Journal: Financial Market Trends, Volume 2014/1, <http://www.oecd.org/finance/financial-markets/Financing-infrastructure-international-trends2014.pdf>

4. G20, *G20 Leaders Statement*, St. Petersburg Summit, 5-6 September 2013.

5. G20, Investment and Infrastructure Working Group Mexico City Meeting, Co-Chairs Draft Paper, 6-7 February 2014.

IIWG emphasized optimizing investment expenditure in the area of Small and Medium Enterprises (SME's) and infrastructure projects. It also noted that it would take into consideration “the question how to maximize the impact of public sector capital expenditure.”¹

Building on the Australian G20 presidency's work, in 2015 the work of the IIWG aimed to enable financial intermediation for infrastructure investments and for SMEs (vis-à-vis supported by the newly established World SME Forum(WSF), a B20 initiative established during the Turkish G20 presidency). It also sought to disseminate data gaps (by the Global Infrastructure Hub) and enable appropriate legal and institutional settings. The presidency also promoted the use of financial tools including asset-based financing structures.

In 2016, the leaders endorsed the G20/OECD Guidance Note on Diversification of Financial Instruments for Infrastructure and SMEs. The guidance note identified policy steps to assist governments in addressing challenges in mobilizing private financing for infrastructure and SMEs, in particular from institutional investors such as pension funds, insurers and sovereign wealth funds, and capital markets and diversifying financial instruments with special attention to equity financing. It also emphasized promoting infrastructure investments as an asset class.²

Furthermore the Guidance Note laid down a set of pre-conditions to set the stage for higher levels of private sector finance for infrastructure and for diversification of infrastructure and SMEs financing instruments. These pre-conditions include *improving the long-term investment environment through financial, fiscal and monetary regulatory policies; strengthening public investment management institutions and public finances; establishing strong legal and institutional frameworks; encouraging the formation of pools of long-term savings; promoting local currency capital market development for equity, bonds and derivative markets, and ensuring their integration with their international counterparts; developing a national infrastructure roadmap and long term government strategy; promoting the integration of Environmental, Social and Governance (ESG) factors and lifetime deployment; promoting SDGs; encouraging awareness and financial literacy on financial instruments and risk allocation mechanisms; and implementation of international instruments and guidance related to the financing of infrastructure and SMEs*³.

5.6.3.1 PPPs in developing countries

In 2016, the leaders welcomed the Annotated Public-Private Partnership (PPP) Risk Allocation Matrices

1. Ibid.

2. G20/OECD, “G20/OECD Guidance Note on Diversification of Financial Instruments for Infrastructure and SMEs”, G20 China, August 2016, <http://www.oecd.org/daf/fin/private-pensions/G20-OECD-Guidance-Note-Diversification-Financial-Instruments.pdf>

3. Ibid.

that was prepared by the GIH to assist developing countries in assessing infrastructure risks. The matrices provides a guidance tool for governments to enhance the feasibility of their infrastructure projects undertaken as public-private partnerships (PPPs) focusing on the appropriate allocation of risks as between the public and private parties. It aims to help governments to develop a pipeline of viable PPP projects by providing guidance in identifying risks. The Risk Allocation Matrices also imparts information on risk aversion and on differential approaches to risk allocation in highly developed and least developed PPP markets as well as information on appropriate forms of government support.¹

5.6.3.2 Principles for Corporate Governance

In 2016, the leaders called for the implementation of the G20/OECD Principles of Corporate Governance. They drew attention to the assessment methodology of the G20/OECD Principles of the Corporate Governance, that will be based on the Financial Stability Board's peer review on corporate governance.

The Principles of Corporate Governance were originally developed by the OECD in 1999 and updated in 2004. The Principles were again revised in 2015 and endorsed at the G20 Antalya Leaders' Summit. They have been adopted as one of the Financial Stability Board's (FSB) Key Standards for Sound Financial Systems, and provide as the basis for corporate governance guidelines for banks issued by the Basel Committee on Banking Supervision².

The revised Principles aim to help governments improve their legal, regulatory, and institutional framework for corporate governance, by providing the right incentives to shareholders, board members and executives as well as financial intermediaries and service providers to perform their roles within a framework of checks and balances. The revised Principles are presented in six different chapters: I) Ensuring the basis for an effective corporate governance framework; II) The rights and equitable treatment of shareholders and key ownership functions; III) Institutional investors, stock markets, and other intermediaries (this chapter is an addition of the 2015 version); IV) The role of stakeholders; V) Disclosure and transparency; and VI) The responsibilities of the board.³

5.6.3.3 G20/OECD High-level Principles on SME Financing

1. The Global Infrastructure Hub, "Second Draft Report on the Annotated PPP Risk Allocation Matrices", 2016 edition ; Also see, The Global Infrastructure Hub, "Allocation Risks in Public-Private Partnership (PPP) Contracts", 2016 Edition <http://www.g20.org/English/Documents/Current/201608/P020160815369635365200.pdf>

2. "G20/OECD Principles of Corporate Governance", OECD, Web site, accessed November 2016, <http://www.oecd.org/corporate/principles-corporate-governance.htm>

3. OECD, G20/OECD Principles of Corporate Governance, (Paris: OECD Publishing, 2015), accessed November 2016, <http://www.oecd-ilibrary.org/docserver/download/2615021e.pdf?expires=1479847540&id=id&accname=guest&checksum=EEBD3477FB7158A3103E93D875A4A12D>

In 2016, the leaders emphasized the effective implementation of the G20/OECD High-level Principles on SME Financing. At their meeting in April 2015, the G20 finance ministers and central banks governors had asked the OECD to develop voluntary high-level principles on SME financing. These principles provide a general framework for government action on SME finance to assist these enterprise in their endeavors to have access to a wide-range of financing instruments.¹ (See also Section 3.2.7. Cooperation for Financial Inclusion and SME Financing)

5.7. Employment

Employment has been one of the core items of the G20 leaders' agenda. In London 2009, leaders when committing to concerted fiscal expansion, they pointed to the need to "save or create millions of jobs which would otherwise have been destroyed."² At the Pittsburgh Summit in September 2009, G20 Leaders called for putting quality jobs at the heart of the financial recovery, and committed to "implementing recovery plans that support decent work, help preserve employment and prioritize job growth"³. To that end, the leaders approved the ILO's "Resolution on Recovering from the Crisis: A Global Jobs Pact" and acknowledged the significance of employment in building a framework for future economic growth. The 2009 Pittsburgh Framework for Strong, Sustainable, and Balanced Growth included "structural reforms to create more inclusive labor markets, active labor market policies, and quality education and training programs."⁴

By the time of the Toronto Summit in 2010, when global recovery seemed underway, employment recovery remained weak. At the Toronto Summit, the leaders endorsed the G20 Training Strategy and prior to the summit, the G20 Labor and Employment Minister met for the first time in Washington to discuss the impact of the economic crisis on employment in their individual countries⁵. Since then ministers have met every year.

1. The G20/OECD High-level Principles on SME Financing are organized under 11 headings: 1. Identify SME financing needs and gaps and improve the evidence base 2. Strengthen SME access to traditional bank financing. 3. Enable SMEs to access diverse non-traditional financing instruments and channels 4. Promote financial inclusion for SMEs and ease access to formal financial services, including for informal firms 5. Design regulation that supports a range of financing instruments for SMEs, while ensuring financial stability and investor protection 6. Improve transparency in SME finance markets 7. Enhance SME financial skills and strategic vision 8. Adopt principles of risk sharing for publicly supported SME finance instruments 9. Encourage timely payments in commercial transactions and public procurement 10. Design public programmes for SME finance which ensure additionality, cost effectiveness and user-friendliness 11. Monitor and evaluate public programmes to enhance SME finance. G20/OECD, "The G20/OECD High-level Principles on SME Financing", Antalya summit, November 2015, <https://www.oecd.org/finance/G20-OECD-High-Level-%20Principles-on-SME-Financing.pdf>

2. G20, *G20 Leaders' Statement*, London Summit, 2 April 2009.

3. G20, *G20 Leaders Statement*, Pittsburgh Summit, 24-25 September 2009.

4. Ibid.

5. G20 Employment Working Group, Web site, <http://www.g20ewg.org>

In 2010, the Seoul Development consensus and MYAP identified human resources development as one of its key nine pillars. The MYAP's work has been largely built on adapting the G20 Training Strategy to the needs of low-income developing countries (LIDCs) focusing on creating internationally comparable skills indicators¹ and developing a knowledge sharing platform for skills for employment².

At the second labor and employment ministers meeting in Paris in 2011, ministers focused on improving employment policies, especially for youth³ and setting up a G20 Task-Force on Employment, which was established at the Cannes Summit in 2011. During the Mexican G20 presidency in 2012, the then newly established task force for employment focused on youth unemployment and developed the G20 Strategies on Youth Employment⁴.

The Task-Force on Employment (recast as the Employment Working Group in 2015) together with Development Working Group in the framework of MYAP, guided the G20 Employment agenda.

The Russian presidency in 2013 focused on implementation of past commitments including policy options on job creation and labour activation.⁵ The first joint G20 Finance and Labour Ministers meeting was held in Moscow on July 19, 2013⁶.

During the Australian presidency, country-specific employment plans were developed by each member and were delivered to G20 leaders at the Brisbane Summit in November 2014 along with country growth strategies. Another development under the Australian presidency was a commitment to increase the number of women in the labour force in the G20 economies thereby to reduce the gender participation gap in these economies by 25 per cent by 2025.

Under the Turkish presidency in 2015, Employment Working Group formed by the ministers' request in 2014, started functioning. Building on the work of the Australian presidency, the Turkish presidency focused on the links between employment and growth. At the Antalya Summit, leaders asked finance and labour and employment ministers to review G20 growth strategies and employment plans to support inclusive growth. Also in support of inclusive growth, leaders committed to implement priorities as outlined by the G20 Policy Priorities on Labour Income Share and Inequalities that were developed in

1. In 2015 the OECD established the World Indicators for Skills and Employment (WISE).

2. In 2013, the Global Knowledge Sharing Platform (KSP) was launched in three languages.

3. G20, 2011 Report of the Development Working Group, G20 France, 2011.

4. G20, "Task Force conclusions of the G20 Strategies on Youth Employment", G20 Mexico, 2012.

5. ILO-OECD, "Addressing employment, labour market and social protection challenges in G20 countries: Key measures since 2010", ILO-OECD report prepared for the G20 Task Force on Employment, G20 Russia, 2013.

6. G20 Employment Working Group, Web site, <http://www.g20ewg.org>

2015.¹ The World Bank also prepared a report for the EWG on the impact of technology on employment paving the way for the Chinese presidency's agenda and the discussions on the impact of technology on employment.²

At the Antalya Summit, leaders also endorsed the G20 Job Quality Framework, G20 Skills Strategy, G20 Policy Principles for Promoting Better Youth Employment Outcomes, G20 Framework on Promoting Quality Jobs, G20 Principles for Effective Public Employment Services, G20 Principles on Silver Economy and Active Ageing. They also set the target of reducing the share of young people who are most at risk of being permanently left behind in the labour market by 15 by 2025 in G20 countries.

At the same time, the Turkish presidency prioritized setting-up an effective mechanism to follow-up the previous G20 commitments and enhancing coordination between the DWG and the EWG. In relation to the latter, the G20 developed the Multi-Year Framework for Policy Coherence and Coordination on Human Resource Development between the Development Working Group and the Employment Working Group. The Multi-Year Framework identified a number of common areas of work that are key priorities for both working groups. It also identified principles for operationalization through which the two groups can work more closely with each other i.e. sharing of work plans and regular reporting between two groups; and organising joint events.³

Building on previous work of the G20, the Chinese presidency focused on promoting decent jobs, generating employment and boosting skills. First, building on the G20 Job Quality Framework, the employment ministers emphasized sustainable wages and stronger social protection systems, both critical in addressing inequalities within individual countries, a main cause of social and political tensions, especially in advanced countries. The leaders also addressed the issue of labor migration. Second, there was a special emphasis on innovation and unleashing entrepreneurial potential as a means to boost job creation. The leaders adopted the G20 Entrepreneurship Action Plan and China established an Entrepreneurship Research Center on G20 Economies. Thirdly, the Chinese presidency continued to prioritize challenges in workforce skill development. The leaders adopted the Policy Recommendations to Enhance Employability and the G20 Initiative to Promote Quality Apprenticeship.

Furthermore, the leaders committed to develop the G20 employment plans in 2017 to address G20 employment commitments agreeing to monitor progress in a systemic and transparent manner especially

1. ILO-IMF-OECD-WBG, "Income inequality and labour income share in G20 countries: Trends, Impacts and Causes", Joint report prepared for the G20 Labour and Employment Ministers Meeting and Joint Meeting with the G20 Finance Ministers, Ankara, Turkey, 3-4 September 2015.

2. WBG, "The Effects of Technology on Employment and Implications for Public Employment Services", World Bank Group report prepared for the G20 Employment Working Group Meeting Istanbul, Turkey 6-8 May 2015.

3. G20, "Multi-Year Framework for Policy Coherence and Coordination on Human Resource Development between the Development Working Group and the Employment Working Group", G20 Development Working Group, G20 Turkey, 2015.

with respect to youth employment and female labor participation. In 2016, the G20 Employment Working Group Multi-Year Agenda was established identifying priority commitments for the employment work stream that will be reviewed on an annual basis.¹

Most significantly, the Chinese presidency prioritized a well-integrated G20 agenda streamlining a new G20 innovation agenda together with the UN 2030 Agenda for Sustainable Development into relevant G20 work streams.

5.7.1. Promoting Decent Work

G20 leaders have repeatedly underlined their support for decent jobs and stronger social protection systems since the Toronto Summit in 2009. In 2011, the G20 and the DWG focused on the implementation or expansion of national social protection floors in developing countries, particularly in LICs.² Similarly, during the Mexican presidency in 2012, the employment agenda addressed the social and labor-related effects of the economic crisis.³ The G20 labour and employment ministers drew attention to “the creation of more quality jobs within the formal sector, with decent wages and social security coverage,” pointing to their role in protecting workers as well as fostering policies for workers to build new skills to allow them access to job opportunities.⁴ In 2013, the Russian presidency focused on targeted labour activation policies for vulnerable groups.⁵ In 2014, the Australian presidency continued with the focus on improving the quality of jobs by addressing underemployment, informality and safer workplaces⁶.

Under the Turkish presidency, the G20’s focus on job quality started to become more structured. The leaders adopted the G20 Job Quality Framework that focused on three dimensions of job quality: promoting the quality of earnings, reducing labour market insecurity, and promoting good working conditions and healthy work places. The Framework emphasized labor market institutions and policies taking into consideration minimum wage requirements and wage determination through collective bargaining arrangements as well as increased support to workers through unemployment benefits schemes or other adequate social protection/assistance programmes⁷.

1. G20, “G20 Employment Working Group Multi-Year Agenda”, Annex to the G20 Labour and Employment Ministerial Meeting Declaration, G20 China, 2016.

2. G20, 2011 Report of the Development Working Group, G20 France, 2011.

3. ILO-IMF, “Towards effective and fiscally sustainable Social Protection Floors”, Preliminary Draft 10 May 2012 prepared for the meeting of the G20 Labour and Employment Ministers in Guadalajara (Mexico), 17-18 May 2012, G20 Mexico, 2012.

4. G20, *G20 Labour and Employment Ministers’ Conclusions*, Guadalajara, Mexico, 17-18 May 2012.

5. G20, “The Russian Presidency of the G20: Outline”, G20 Russia, 2013, http://en.g20russia.ru/docs/g20_russia/outline###7

6. G20, *G20 Labour and Employment Ministerial Declaration - Preventing structural unemployment, creating better jobs and boosting participation*, Melbourne, 10-11 September 2014, <https://g20.org.tr/wp-content/uploads/2014/12/2014%20LEMM%20Declaration.pdf>

7. G20, “G20 Job Quality Framework”, Annex to the G20 Labour and Employment Ministers Declaration, 4 September 2015, <http://g20.org.tr/wp-content/uploads/2015/11/G20-Framework-on-Promoting-Quality-Jobs.pdf>

In 2016, the leaders pointed to the links between strong labor market institutions/policies¹ and increased productivity, promotion of decent work and wage growth especially for low income workers.² Hence, the leaders endorsed Sustainable Wage Policy Principles. The labour and employment ministers reminded that workers' earnings are not only key determinants of their well-being but also "an important source of aggregate demand for economic growth."³

Similarly, the Wage Policy Principles drew attention to achievement of sustainable wage growth "through promoting social dialogue and partnership, minimum wages and collective bargaining adapted to national conditions", aligning a growth in wages with growth in productivity and reduction in "wage gaps".⁴

In 2016, the leaders also endorsed initiatives developed by G20 labour and employment ministers on actions to ensure safer workplaces within global supply chains and to strengthen social protection systems. In relation to the latter, the ministers set forth the Policy Recommendations for Promoting More Equitable And Sustainable Social Protection Systems. Related to this, the ministers adopted a multi-pronged approach to assist the unemployed to find jobs – "effective public employment services, targeted active labour market policies and their strong coherence with social protection systems."⁵

5.7.1.1. Labor Migration

The Syrian Civil War, the ensuing flow of refugees, first to Syria's neighboring countries (Turkey, Jordan, Lebanon, Iraq, Egypt) then to the European Union member states, has created serious challenges for employment. At present, a very small portion of the nearly five million Syrians actively working in neighboring countries have work permits. Those who work irregularly at low wages displace domestic workforces giving rise to political and social tensions in host countries. While new regulations such as

1. According to the ILO, "[l]abour market regulations actually include labour market institutions as well as part of labour market policies: they cover wage setting institutions, mandatory social benefits, the unemployment insurance system, as well as different aspects of labour legislation (law on minimum wage, employment protection legislation, and the enforcement of the legislation). Labour market policies (LMP), on the other hand, comprise all kinds of regulative policies that influence the interaction between labour supply and demand. They consist of policies that provide income replacement (usually called passive labour market policies) as well as labour market integration measures available to unemployed or those threatened by unemployment."

"Labour market policies and institutions", International Labor Organization (ILO), Web site, accessed November 2016, <http://www.ilo.org/empelm/areas/labour-market-policies-and-institutions/lang--en/index.htm>

2. Similarly, in the innovation agenda, the NIR Action Plan underlined more in-depth studies on the NIR's impact on employment and social systems in the long run. In the G20 Digital Economy Development and Cooperation Initiative, there is mention of strengthening 'cooperation in protecting labor rights'.

3. G20, G20 Labour and Employment Ministerial Meeting Declaration - Innovation and Inclusive Growth: Decent Work, Enhanced Employability and Adequate Job Opportunities, G20 China, 2016.

4. G20, "Sustainable Wage Policy Principles", Annex to the G20 Labour and Employment Ministerial Meeting Declaration - Innovation and Inclusive Growth: Decent Work, Enhanced Employability and Adequate Job Opportunities, G20 China, 2016.

5. G20, G20 Labour and Employment Ministerial Meeting Declaration - Innovation and Inclusive Growth: Decent Work, Enhanced Employability and Adequate Job Opportunities, G20 China, 2016.

granting work permits to refugees (as Turkey did in January 2016) are steps in the right direction, they are not enough¹.

The leaders addressed the opportunities and challenges which labour migration introduced to labour markets, highlighting potential benefits for host societies of well-managed migration. Similarly, the G20 labour and employment ministers called on the Employment Working Group to coordinate with other working groups to discuss policy options to support labor market integration of refugees and migrants in conformity with national laws in host countries.

5.7.2. Generating Adequate Job Opportunities through Entrepreneurship

In 2016, the G20 placed a strong emphasis on promoting innovation and entrepreneurship for job creation. The ministers endorsed the Policy Recommendations to Enhance Employability, which provides recommendations for national policy including promoting innovation to utilize existing skills (Also See Section 2.1.2. STEM Education, Joint Research in Innovation and Entrepreneurship for Workforce Skills and Human Capital and Section 2.3.1 Securing Conditions for a Comprehensive Digital Economy Agenda for promoting entrepreneurship)

The leaders committed to actions set out in the G20 Entrepreneurship Action Plan recognizing that entrepreneurship is an important driver for job creation and economic growth. The Action Plan set out to strengthen conditions that unleash entrepreneurial potential, especially of youth. It emphasized the formalization of entrepreneurs and enterprises operating in the informal sector. It includes recommendations on promoting education and training in entrepreneurship, strengthening services to support entrepreneurship, promoting a regulatory environment to ensure protection of the rights and interests of entrepreneurs and their employees, as well as policy support for entrepreneurs to address challenges and sustain their business development.²

The leaders also welcomed the Entrepreneurship Research Centre on G20 Economies established by China, which aims to broaden information exchange and sharing best practices among G20 members in support of the G20 Entrepreneurship Action Plan. Furthermore, the Centre will conduct analyses and comparative studies on entrepreneurship both within and outside of the G20, use online fora as well as conduct offline workshops and cooperate with ILO, OECD, WGB and IMF³.

1. Timur Kaymaz and Omar Kadkoy, "Syrians in Turkey – The Economics of Integration" The Sharq Forum, Regional Politics Expert Brief, 6 September 2016, <http://sharqforum.org/2016/09/06/syrians-in-turkey-the-economics-of-integration/>

2. G20, "G20 Entrepreneurship Action Plan", Annex to the G20 Labour and Employment Ministerial Meeting Declaration - Innovation and Inclusive Growth: Decent Work, Enhanced Employability and Adequate Job Opportunities, G20 China, 2016.

3. Ibid.

5.7.3. Enhancing Employability and Quality Apprenticeships

Since the 2009 Pittsburgh Summit G20 leaders have emphasized workforce skill development addressing skills mismatch. In Pittsburgh, they stated their commitment to support “training efforts” as part of strategies for balanced and sustainable growth and investment. Specifically, with respect to skills development, leaders stated “each of our countries will need, through its own national policies, to strengthen the ability of our workers to adapt to changing market demands and to benefit from innovation and investments in new technologies, clean energy, environment, health and infrastructure.”¹ In this relation, they asked the ILO with other organizations to develop a training strategy.² At the Toronto Summit, the leaders embraced the G20 Training Strategy.

In Seoul, in November 2010, Leaders pledged to continue to support national strategies for skills development, building on the G20 Training Strategy. At the same time, as part of the human resource development pillar of the MYAP, an action plan and a road map for 2010-14 were developed. These emphasized two main areas of action: to create internationally comparable skill indicators (MYAP Commitment 30); and enhance national employable skills strategies (MYAP Commitment 31)³. These commitments led to the establishment of the World Indicators of Skills for Employment (WISE) database, which provides data on the status of each country’s skills development. It includes data for both developed and developing economies.⁴ Also as part of MYAP commitments, the Global Public-Private Knowledge Sharing Platform on Skills for Employment (Global KSP) was launched in 2013. The platform aims to strengthen the links between education, training and employment through exchanges among policymakers, the private sector, TVET institutions, academic institutions, bilateral agencies, and other international organizations⁵.

In 2015, during the Turkish G20 Presidency, skill development was a key priority with the leaders

1. G20, G20 Leaders Statement, Pittsburgh Summit, 24-25 September, 2009.

2. ILO, “A Skilled Workforce for Strong, Sustainable and Balanced Growth A G20 Training Strategy” International Labor Organization’s proposals to G20 Leaders for a Training Strategy as per their request in Pittsburgh in September 2009, ILO International Labour Office, Geneva, June 2010, <http://staging.ilo.org/public/libdoc/ilo/2010/458291.pdf>

3. G20, “Multi-Year Action Plan on Development”, Seoul Summit, 12 November 2010

4. “World Indicators of Skills for Employment (WISE) database”, OECD, <http://www.oecd.org/employment/skills-for-employment-indicators.htm> Global Public-Private Knowledge Sharing Platform on Skills for Employment, Web site, <http://www.skillsforemployment.org/KSP/en/AboutThePlatform/index.htm>

5. The G20 Skills Strategy builds on the G20 Training Strategy (2010) and the WISE as well as on the OECD Skills Strategy (2012), the ILO Recommendation No. 195 on Human Resources Development, and the Conclusions of the 2008 International Labour Conference on Skills for Improved Productivity, Employment and Development. See, G20, “G20 Skills Strategy”, Annex to the G20 Labour and Employment Ministerial Meeting Declaration - Creating Quality Jobs for All, Investing in Skills and Reducing Inequalities to Promote Inclusive and Robust Growth, G20 Turkey, Ankara, 4 September 2015

endorsing the G20 Skills Strategy to improve and invest in skills.¹ The Strategy provides a set of principles to boost skills and their use, which are in line with the document prepared by OECD entitled “G20 skills strategy policies for developing and using skills for the 21st century” also prepared in 2015.²

In 2016, the Chinese presidency continued to prioritize challenges in workforce skill development. The employment ministers pointed to the “the need to prepare for the ongoing and future transformational changes in the world of work”³. Their commitment to develop a policy framework, was linked to the innovation agenda of the Chinese presidency and its focus on the new industrial revolution and the digital economy and to channeling of the potential benefits from these to the workforce. In this relation, the Innovation Action Plan emphasized sharing best practices to enhance skills training for innovation and entrepreneurship i.e. by improving access to Science, Technology, Engineering and Mathematics (STEM) education. (See Section 2.1.2. STEM Education, Joint Research in Innovation and Entrepreneurship for Workforce Skills and Human Capital) The New Industrial Revolution(NIR) agenda committed to addressing employment and workforce skill challenges posed by the NIR. (See Section 2.2.3. Addressing challenges to employment and workforce skills). The Digital Economy Initiative promoted universal digital inclusion and the use of digital technology for enhancing inclusion as key elements in promoting the digital economy to ensure that no one is left behind. (See Section 2.3.1 Securing Conditions for a Comprehensive Digital Economy Agenda)

Finally , the labour and employment ministers endorsed the Policy Recommendations to Enhance Employability for national policymakers which cover among others areas including improving the adaptability of workplaces, tackling institutional barriers to labour mobility in terms of jobs, occupations and sectors and location . These Recommendations also included developing more general transferable skills, making Technical and Vocational Education and Training (TVET) more accessible and effective (including apprenticeships).⁴

1. The G20 Skills Strategy builds on the G20 Training Strategy (2010) and the WISE as well as on the OECD Skills Strategy (2012), the ILO Recommendation No. 195 on Human Resources Development, and the Conclusions of the 2008 International Labour Conference on Skills for Improved Productivity, Employment and Development.

See, G20, “G20 Skills Strategy”, Annex to the G20 Labour and Employment Ministerial Meeting Declaration - Creating Quality Jobs for All, Investing in Skills and Reducing Inequalities to Promote Inclusive and Robust Growth, G20 Turkey, Ankara, 4 September 2015

2. OECD, “The G20 Skills Strategy for Developing and Using Skills for the 21st Century”, prepared for the third G20 Employment Working Group Meeting, 23-24 July 2015, <https://www.oecd.org/g20/topics/employment-and-social-policy/The-G20-Skills-Strategy-for-Developing-and-Using-Skills-for-the-21st-Century.pdf>

3. G20, *G20 Labour and Employment Ministerial Meeting Declaration - Innovation and Inclusive Growth: Decent Work, Enhanced Employability and Adequate Job Opportunities*, G20 China, 2016.

4. G20, “Policy Recommendations to Enhance Employability”, Annex to the G20 Labour and Employment Ministerial Meeting Declaration - Innovation and Inclusive Growth: Decent Work, Enhanced Employability and Adequate Job Opportunities, G20 China, 2016.

5.7.3.1 Quality Apprenticeships

At their meeting in May 2012 in Guadalajara, the G20 employment ministers agreed to develop a comprehensive strategy to boost youth employment by emphasizing the important role of quality apprenticeships in facilitating a smooth transition from school to employment. Consequently, the G20 identified Key Elements of Quality Apprenticeship,¹ which were launched in G20 countries during the Russian presidency, with the B20 and L20 also issuing the Joint Understanding on Key Elements of Quality Apprenticeships². In 2014, under the Australian presidency, the G20 agreed to expand quality apprenticeship and work experience programmes. The G20-OECD-EC Conference on Quality Apprenticeships for Giving Youth a Better Start in the Labour Market OECD Conference Centre was held in Paris in April 2014.³

In 2015 the Turkish presidency included the focus on work-based learning as a central element of the new G20 Skills Strategy and in supporting the new G20 youth target to reduce the share of young people most at-risk of being left permanently behind in the labour market by 15 percent by 2025. The second G20-OECD Conference on Promoting Quality Apprenticeships was held in Antalya in February 2015 with representatives of B20, C20, International Organizations (IOs) and CEOs⁴. Once again the B20 and the L20 issues a joint statement on “Jobs, Growth and Decent Work” building on their previous joint statement on quality apprenticeships⁵.

In 2016, the Chinese presidency continued the focus on apprenticeships as part of its vocational training and youth employment foci. The leaders endorsed the G20 Initiative to Promote Quality Apprenticeship with policy priorities of increasing the quantity, quality and diversity of apprenticeships. The Initiative includes voluntary action points on establishing national goals or targets for apprenticeship programmes, improving quality of apprenticeship by engaging social partners (e.g. B20 and L20) and ensuring a strong work-based training component, promoting apprenticeship programmes, particularly in emerging sectors and those with skill shortages. As significantly, the Initiative seeks to foster private sector engagement in the apprentice systems by making apprenticeship more attractive to employers, by speaking to their skill requirements and by providing incentives of sharing costs of training among employers, trainers

1. G20, “Key Elements of Quality Apprenticeship”, Task Force on Employment, G20 Russia, September 27, 2012, http://www.ilo.org/wcmsp5/groups/public/@ed_emp/@ifp_skills/documents/publication/wcms_218209.pdf

2. B20-L20, “Key Elements of Quality Apprenticeships –a Joint Understanding of the B20 and L20”, June 2013, http://www.ituc-csi.org/IMG/pdf/1306_b20-l20_paper_on_quality_apprenticeships.pdf

3. “G20-OECD-EC Conference on Quality Apprenticeships for Giving Youth a Better Start in the Labour Market”, OECD issues paper for the conference in Paris, 9 April 2014, http://www.oecd.org/els/emp/G20-OECD-EC%20Apprenticeship%20Conference_Issues%20Paper.pdf

4. “G20-OECD Conference on Promoting Quality Apprenticeships”, G20 Turkey, Antalya, 25 February 2015.

5. B20-L20, “Jobs, Growth and Decent Work”, G20 Turkey, 2015, <http://b20turkey.org/wp-content/uploads/2015/09/B20-L20-Statement.pdf>

and public authorities and removal of bureaucratic disincentives. Finally, the Initiative also emphasized apprenticeship programmes were of good quality in conformity with occupational safety and health standards and respectful of labor rights, offering good work and training conditions, fair wages, social security coverage and labour contracts.¹

5.8. Food security and nutrition

In spite of progress and the near achievement of the target set by the Millennium Development Goals (MDGs) of halving world hunger by 2015, 795 million remain undernourished and will require an estimated additional 267 billion US dollars per year on average for investments in rural and urban areas and in social protection to eradicate hunger sustainably by 2030.²

G20 can play an important and influential role in the global food system. G20 countries together account for nearly 80 percent of global cereal production and a similar percentage of global agricultural exports.³ At the same time, the food security and nutrition agenda is closely linked to economic growth and job creation, while the policies in areas of agriculture, trade, investment, energy, skills development as well as financial regulation can all influence this agenda.

The G20 has taken an active role in food security over the years with its agenda covering a wide range of areas ranging from excessive food price volatility, functioning of food commodity markets, to promotion of knowledge sharing on tropical agriculture, enhancing sustainable food production systems, growth in agricultural productivity and in incomes (especially for small-scale family farms), and to promoting responsible investment, and prevention of food loss and waste.

In response to the food price hikes starting in 2008, the leaders at the G20 Pittsburgh Summit recognized the need to address food insecurity and commodity price volatility. In 2010, food security was identified

1. Other voluntary actions included in the G20 Initiative to Promote Quality Apprenticeship are: "6. Implement initiatives to raise the awareness and highlight the benefits of apprenticeship among enterprises, guidance counsellors, job seekers, and the general population. 7. Improve access to quality apprenticeship for disadvantaged groups through income subsidies, training credits, pre-apprenticeship programmes, affordable quality child care, and family-friendly work opportunities, among others. 8. Strengthen partnerships between businesses and vocational schools in apprenticeship programmes design, delivery and certification. 9. Support programmes to upgrade informal apprenticeship and to facilitate the inclusion of informal apprentices to the formal economy, either through certification and recognition of prior learning, supplementary training, or other appropriate measures. 10. Expand quality apprenticeship globally, including through technical cooperation and regional initiatives." G20, "G20 Initiative to Promote Quality Apprenticeship", Annex to the G20 Labour and Employment Ministerial Meeting Declaration - Innovation and Inclusive Growth: Decent Work, Enhanced Employability and Adequate Job Opportunities, G20 China, 2016.

2. FAO, IFAD and WFP, *Achieving Zero Hunger: the critical role of investments in social protection and agriculture*, (ROME, FAO, 2015).

3. G20, "G20 Food Security and Nutrition Framework", G20 Australia, G20 Development Working Group, 2014, <http://www.international.gc.ca/g20/assets/pdfs/G20-FoodSecurityandNutritionFramework.pdf>

as one of the nine pillars of sustainable development of the Multi Year Action Plan on Development, which emphasized enhanced policy coordination to mitigate risks in price volatility as well as to provide protection for the most vulnerable.¹

In 2011, the food security agenda expanded considerably under the French presidency, which advanced the agenda along three G20 tracks – development, agriculture and finance- focusing on food price volatility and the impact of volatility on the most vulnerable groups. The French presidency declared the food security pillar of the MYAP a key priority, along with infrastructure and financial inclusion. agriculture ministers that met for the first in 2011, adopted an Action Plan on Food Price Volatility and Agriculture, also endorsed by the leaders in November 2011². As part of the G20 Action Plan, G20 spearheaded the establishment the Agricultural Market Information System (AMIS) and its Rapid Response Forum (RRF)³ and the Group on Earth Observations Global Agricultural Monitoring Initiative (GEOGLAM).⁴

In the finance track, the French presidency emphasized the regulation of agricultural commodity derivative markets. The leaders welcomed the International Organization of Securities Commission's (IOSCO) report "Principles for the Regulation and Supervision of Commodities Derivatives Markets", which included recommendations on better functioning and more transparent agricultural financial markets.⁵

In 2012, the Mexican presidency focused on raising agricultural productivity with a particular emphasis on the role of small holders. The presidency has been criticized for shifting away from market issues and systemic problems and narrowing the focus of the food security agenda to assistance to smallholder agriculture and agricultural knowledge systems.¹In contrast , the Russian presidency was praised

1. G20, "Multi-Year Action Plan on Development", Seoul Summit, 12 November 2010.

2. G20 agriculture ministers committed to five main objectives in the Action Plan: "(i) improve agricultural production and productivity both in the short and long term in order to respond to a growing demand for agricultural commodities; (ii) increase market information and transparency in order to better anchor expectations from governments and economic operators; (iii) strengthen international policy coordination in order to enhance confidence in international markets and to prevent and respond to food market crises more efficiently; (iv) improve and develop risk management tools for governments, firms and farmers in order to build capacity to manage and mitigate the risks associated with food price volatility, in particular in the poorest countries; (v) improve the functioning of agricultural commodities' derivatives markets, this objective is being pursued through the work of Finance Ministers and Central Bank Governors." G20, "Ministerial Declaration -Action Plan on Food Price Volatility and Agriculture", G20 France, Meeting of G20 Agriculture Ministers Paris, 22 - 23 June 2011, http://www.amis-outlook.org/fileadmin/user_upload/amis/docs/2011-agriculture-plan-en.pdf

3. AMIS provides information on potential food price crisis conditions . See Agricultural Market Information System (AMIS), Web site, accessed on November 2016, <http://www.amis-outlook.org/>

4. GEOGLAM was established with an objective to produce and disseminate timely and accurate crop monitoring information and agricultural production forecasts by using Earth Observation data. See Group on Earth Observations Global Agricultural Monitoring Initiative (GEOGLAM), Web site, accessed on November 2016, <https://www.earthobservations.org/geoglam.php>

5. OICU-IOSCO, "Principles for the Regulation and Supervision of Commodity Derivatives Markets", The Task Force on Commodity Futures Markets, Technical Committee of the International Organization Of Securities Commissions, September 2011, <http://www.iosco.org/library/pubdocs/pdf/IOSCOPD358.pdf>

for initiating the integration of the food security agenda into the wider G20 agenda². In 2013, the St Petersburg Development Outlook emphasized “the critical opportunities for economic growth and job creation in connection with food security and nutrition focusing on lower income countries.”³

Building on the this wider agenda, the Australian presidency developed the G20 Food Security and Nutrition Framework (G20 FSN Framework) with an objective to provide a long term and integrated conceptual framework to the food security and nutrition agenda underlining the need to mainstream this agenda across the work of the G20 and for policies beyond the agricultural sector. Three multi-year priority objectives put forth by the Framework were: (i) promoting responsible investment in food systems especially those by private investors ; (ii) to raise incomes and quality of employment in food systems ; and, (iii) increasing productivity for expanding food supply. Finally cross-cutting concerns for food security were the themes of nutrition, smallholder and family farmers, women, and youth.⁴

In 2015, the Turkish presidency built on the Australian agenda by developing the G20 Action Plan on Food Security and Sustainable Food Systems⁵ and the Implementation Plan of the G20 Food Security and Nutrition Framework⁶. The Turkish presidency also introduced food loss and waste into the agenda establishing the G20 Technical Platform of Measurement and Reduction of Food Loss and Waste.

The Chinese presidency’s agenda differed from earlier presidencies’ agendas in linking the G20 Food Security and Nutrition Framework (in continuity with Australian and Turkish Presidencies) to its innovation agenda.

1. Sophia Murphy, “The G-20 and Food Security: What Is the Right Agenda?”, The Stanley Foundation, Policy Analysis Brief, March 2013, <http://www.stanleyfoundation.org/publications/pab/MurphyPAB313.pdf>;

Robin Davis, “Food security and the G20’s development agenda: stop or go?” Devpolicy Blog from the Development Policy Centre, 18 March 2014, <http://devpolicy.org/food-security-and-the-g20s-development-agenda-stop-or-go-20140318/>

2. Robin Davis, “Food security and the G20’s development agenda: stop or go?” Devpolicy Blog from the Development Policy Centre, 18 March 2014.

3. G20, “Saint Petersburg Development Outlook”, G20 Russia, 2013.

4. G20, “G20 Food Security and Nutrition Framework”, G20 Australia, G20 Development Working Group, 2014.

5. The Action Plan emphasized key actions to achieve the G20 FSN Framework including promoting responsible investment in agriculture and food systems, improving market transparency for food security, supporting human resource development, fostering sustainable productivity growth as well as reducing food loss and waste.

G20, “G20 Action Plan on Food Security and Sustainable Food Systems”, G20 Turkey, 2015.

6. The Implementation Plan prioritizes specific proposals for action that differ in their mandate in terms of timelines - there are specific proposals for actions with a life of 1-3 years and other actions are multi-year. Actions are laid out in for the G20 FSN Framework’s three priority objectives - responsible investment, incomes and employment and sustainable productivity growth including food loss and waste.

G20, “Implementation Plan of the G20 Food Security and Nutrition Framework”, G20 Turkey, G20 Development Working Group Food Security and Nutrition, 2015.

First, there was a strong emphasis on technology and its contribution to sustainable agricultural productivity as well as to integration of smallholders into food value chains. The leaders emphasized sustainable agricultural development and development of food value chains ‘through technological, institutional and social innovation’¹. The agriculture ministers underlined their support for the implementation of the United Nations 2030 Agenda for Sustainable Development and committed to implement their innovation priorities through the G20 Food Security and Nutrition Framework and the G20 Action Plan on Food Security and Sustainable Food Systems.

Second, the G20 continued to emphasize responsible investment for agricultural development and development of food value chains. The leaders supported the opening meeting of the first G20 Agricultural Entrepreneurs Forum (AE20) – a Forum initiated by the G20 agriculture ministers in 2015 - that encourages the expansion of agricultural investment in developing countries by increasing exchanges between the private sector actors and other stake-holders.² Furthermore, the agriculture ministers drew attention to stronger cooperation between the agriculture deputies, on the one hand, and the Development Working Group and the newly established Trade and Investment Working Group, on the other.

Third, the G20 continued to emphasize smallholders dwelling on improving their skills, level of organization and competitiveness to ensure their integration into the global value chains. The leaders welcomed the Good Practices on Family Farming and Smallholder Agriculture, which placed a strong emphasis on innovation to boost productivity and access to and adoption of technologies by family farmers and smallholders.

5.8.1 Sustainable Agricultural Productivity and Innovation

The leaders have reiterated their commitments to increase agricultural productivity over the years with an emphasis on securing small holders and food supply. In the 2011 Action Plan on Food Price Volatility and Agriculture, the G20 agricultural ministers agreed on strengthening “agricultural research and innovation through our (their) national agricultural systems, the CGIAR³ and the Global Forum on Agricultural Research (GFA)”. The ministers “also insist(ed) on the need to enhance the transfer of the research results and technologies to farmers and to ensure that research activities respond to their needs and concerns and involve farmers in that process.”⁴

1. G20, G20 Leaders' Communique, Hangzhou Summit, 4-5 September, 2016.

2. G20, “Material Collection for the Communication Meeting of G20 Agricultural Entrepreneurs Forum”, G20 China, International Cooperation Department and Foreign Economic Cooperation Center, at the Ministry of Agriculture of the People's Republic of China, 26 February 2016, http://www.cameralitacina.com/sites/default/files/g20_agricultural_entrepreneur_forum_0.pdf

3. Consultative Group on International Agricultural Research.

4. G20, “Ministerial Declaration -Action Plan on Food Price Volatility and Agriculture”, G20 France, Meeting of G20 Agriculture Ministers Paris, 22 - 23 June 2011, http://www.amis-outlook.org/fileadmin/user_upload/amis/docs/2011-agriculture-plan-en.pdf

Upon the request of the Mexican presidency, the FAO and OECD, with contributions from other organizations, delivered the interagency report on “Sustainable Agricultural Productivity Growth and Bridging the Gap for Small Family Farms.”¹ Also in 2012, the OECD developed a framework on agriculture productivity to serve as a self-assessment tool for countries to evaluate the consistency of their policies for boosting productivity in agriculture. The OECD published a draft framework in 2013, “Agricultural Innovation Systems: A Framework for Analysing the Role of the Government,” which sought to evaluate the effect of policies on the design and adoption of innovations required to improve productivity growth and sustainable use of natural resources, recording recommendations for each area.² The draft Framework was intended to be revised on a regular basis in the light of evidence from the experience of individual pilot countries that applied the Framework. In 2015, the OECD published a revised draft Framework, “Analysing Policies to Improve Agricultural Productivity Growth, Sustainably”, which includes a stronger emphasis on sustainability aspects, and incorporates OECD country reviews.³

Furthermore, one of the three pillars of the G20 Food Security and Nutrition Framework developed in Australia was increasing productivity for sustainable expansion of the food supply (this also refers to the OECD Framework), which was subsequently supported by the Action Plan as well as Implementation Plan for the Framework both developed during the Turkish presidency.

In 2016, the Chinese presidency placed an emphasis on increasing sustainable agricultural productivity with a strong emphasis on innovation. The leaders and the ministers emphasized the critical role of innovations – in technology as well as innovation in social organizations, institutions and agricultural business models to boost sustainable agricultural productivity growth. The agriculture ministers promoted improvements in farming techniques and in organizational modes as well as introduction of “scientific, evidence-based policies and programmes and of sustainable use of resources.”⁴ The agriculture ministers reiterated their call to the OECD to continue the development of its aforementioned analytical framework.

The following are some highlights from the ministers communique on boosting science, technology,

1. The interagency report on “Sustainable Agricultural Productivity Growth and Bridging the Gap for Small Family Farms” identified policy options for both G20 and low income countries to close productivity gaps, establish an investment friendly environment for agriculture as well as provide conditions for boosting research and development and improving agro-technologies.

FAO-OECD, “Sustainable Agricultural Productivity Growth and Bridging the Gap for Small Family Farms”, Interagency Report to the Mexican G20 Presidency with contributions by Bioversity, CGIAR Consortium, FAO, IFAD, IFPRI, IICA, OECD, UNCTAD, Coordination team of UN High Level Task Force on the Food Security Crisis, WFP, World Bank, and WTO, 12 June 2012, <https://www.oecd.org/tad/agricultural-policies/50544691.pdf>

2. OECD, *Agricultural Innovation Systems: A Framework for Analysing the Role of the Government*, (Paris: OECD Publishing, 2013), <http://dx.doi.org/10.1787/9789264200593-en>

3. OECD, “Analysing Policies to Improve Agricultural Productivity Growth, Sustainably”, OECD Draft Framework, May 2015, <http://www.oecd.org/tad/agricultural-policies/Analysing-policies-improve-agricultural-productivity-growth-sustainably-december-2014.pdf>

4. G20, *G20 Agriculture Ministers Meeting Communiqué*, G20 China, Xi'an, 3 June 2016.

social and institutional innovation for sustainable agricultural growth.

Agricultural research and development (R&D). The agriculture ministers underlined the critical role of agricultural research and development (R&D) for sustainable agricultural growth. They promoted a multi-stakeholder approach to advance R&D and spread the benefits of agricultural innovation with the participation of governments, the private sector, civil society, research institutes and producers. They underlined the critical importance of linking researchers to farmers to ensure the diffusion of R&D deliverables.

Joint agricultural scientific and technological research and knowledge exchange. To this end, at their meeting in 2016 the G20 Agricultural Chief Scientists (MACS) gave their support for the development of Global Research Collaboration Platforms (GRCPs) through the establishment of new working groups. First, a working group will be established that will be led by the Troika, to develop proposals for GRCPs principles and a MACS website. Second, the MACS also proposed the setting up of another working group on Agricultural Technology Sharing (ATS) that will be led by China with an aim to evaluate existing knowledge and information sharing mechanisms.¹

Support for R&D innovation by international organizations and initiatives (social innovation). The ministers once again drew attention to the work of the Consultative Group for International Agricultural Research (CGIAR) on agricultural research and development. They encouraged members to participate in open data and statistics networks. They encouraged members to capitalize on existing mechanisms such as Global Forum of Leaders for Agricultural Science and Technology (GLAST), the Global Conferences on Agricultural Research for Development (GCARD) and the Tropical Agriculture Platform (TAP) for exchanges in agricultural innovations, and sharing policy experience.

Comprehensive service networks to build inclusive agricultural production systems with an eye to enable food value chain integration of smallholders, in particular, women and young people (institutional innovation). The ministers emphasized building strong public and private service systems, including boosting vocational training and fostering efficient agricultural service providers. They also underlined better access to financial services – especially by family farmers, smallholders and women – pointing to the work of the Global Partnership on Financial Inclusion (GPFI) on both SME financing and rural financial inclusion based on remittances.

Even and innovative rural development. The ministers committed to harmonizing urban and rural development and boosting growth in agriculture through industrialization and urbanization. To this end they promoted better rural infrastructure and balanced allocation of resources between rural and urban areas. They pointed to the development of primary, secondary and tertiary industries in rural areas

1. G20, 5th Meeting of Agricultural Chief Scientists (MACS) Communiqué, G20 China, Xi'an, 30-31 May 2016.

emphasizing innovative models for instance, agricultural tourism, e-commerce and customized agriculture as well as urban farming solutions (e.g. high-tech, vertical and indoor farming).

Information and Communications Technology (ICT) for better integration of smallholders and family farmers into markets and efficiency gains across the food system. The ministers encouraged knowledge exchange in innovative ICT projects and policy approaches. The ministers called on FAO, IFPRI and OECD to provide proposals to the G20 Agriculture Deputies on mechanisms to improve agricultural ICT exchange and cooperation.

5.8.2 Responsible Investments in Agricultural and Food Systems

The G20 has continuously promoted responsible investment in agriculture and food systems. Since the Mexican presidency in 2012, the G20 has supported the implementation of the Voluntary Guidelines on the Responsible Governance of Tenure (VGGT) of Land, Fisheries and Forests and the Principles for Responsible Agricultural Investment (RAI Principles), both adopted by the Committee on World Food Security (CFS) in 2012¹. The VGGT represent the only global framework introducing international standards on how resources i.e. land, fisheries, forests are to be governed, aimed to secure tenure and equitable access to them.²

The G20 Food Security and Nutrition Framework (G20 FSN Framework) and the G20 Action Plan for Food Security and Sustainable Food Systems reiterated the objectives of responsible investment in agriculture and food systems, and implementation of VGGT and RAI Principles. The ministers in 2016 reiterated the same message.

In 2016, an important initiative regarding boosting of investment in agriculture was the opening of the first G20 Agricultural Entrepreneurs Forum (AE20). The leaders welcomed the opening of the Forum and encouraged the increasing collaboration among agricultural, scientific and private sectors. The theme of the first AE20 was “Innovation, Cooperation and Sustainable Agricultural Investment.” The G20 Agricultural Entrepreneurs Forum (AE20) and the Meeting of G20 Agricultural Chief Scientists (MACS) held back to back with the G20 Agriculture Ministers Meeting, witnessed for the first time a coming together and exchange among entrepreneurs, scientists and governments on issues of global agriculture and food security cooperation³.

1. “Principles for responsible agricultural investment (rai) in the context of food security and nutrition - Zero Draft”, Committee on World Security, http://www.fao.org/fileadmin/templates/cfs/Docs1112/rai/Principles_responsible_agricultural_investments_Zero_Draft.pdf

2. FAO, “Voluntary Guidelines on the Responsible Governance of Tenure (VGGT) of Land, Fisheries and Forests”, Food and Agriculture Organization of the United Nations, Rome, 2012, <http://www.fao.org/docrep/016/i2801e/i2801e.pdf>

3. G20, “Focusing on Agricultural Innovation and Sustainable Development—Successful G20 Agriculture Ministers Meeting in Xi’an”, G20 China, News release, 8 June 2016, http://www.g20.org/English/G20Priorities/Other/201609/t20160903_3307.html

The AE20 was established to implement the 2015 Communique of the G20 Agriculture Ministers meeting with regards to “strengthening agricultural investment at all stages of food value chains, improving national environment for agricultural investment and coordinating relevant national and international institutions to implement relevant guidelines of agricultural investment”.¹ The Forum aims to serve as investment dialogue and exchange platform for private sector actors and other stake-holders, to enable a political and business environment for G20 agricultural investments.

5.8.3 The Role of Family Farmers and Smallholder Agriculture

In 2010, the MYAP committed to increasing small-holder producers’ access to markets and supporting procurement from them. At the Cannes Summit, the leaders committed to “foster smallholder sensitive investments in agriculture and explore opportunities for market inclusion and empowerment of small producers in value chains.”² Moreover, the G20 has spearheaded the establishment of initiatives that focus on improving agricultural productivity, with an emphasis on smallholders including Global Agriculture and Food Security Program (GAFSP), AgResults³ and Tropical Agriculture Platform.⁴

In 2016, the leaders once again underlined the critical role of family farmers and smallholder agriculture in development. Under Chinese presidency the effort to increase small farmer productivity and market integration gave priority to farmers’ access to innovations and technology. Hence, for small farmers to increase productivity, to have market access and to build resilience to external shocks, the agriculture ministers pointed to the importance of innovative farming practices, technologies including appropriate inputs as well as business skills, knowledge of financial tools, innovative forms of social organization, of collective action.

The agriculture ministers also drew special attention to skill upgrading of smallholder farmers and rural workers, emphasizing programmes that prepare farmers for challenges presented by global food value

1. G20, “Material Collection for the Communication Meeting of G20 Agricultural Entrepreneurs Forum”, G20 China, International Cooperation Department and Foreign Economic Cooperation Center, at the Ministry of Agriculture of the People’s Republic of China, 26 February 2016, http://www.cameraitacina.com/sites/default/files/g20_agricultural_entrepreneur_forum_0.pdf

2. G20, *G20 Leaders’ Declaration, Cannes Summit*, 11-12 November 2010.

3. AgResults was launched at the Los Cabos Summit in 2012. The initiative aims to enhance food security and food safety as well as increase smallholder incomes by facilitating private sector agricultural innovation. AgResults uses a pay-on- results approach (or the so-called “pull mechanism”) by paying out rewards to the private sector after a pre-defined target is achieved.

AgResults, Web site, accessed on November 2016, <http://agresults.org>.

4. Tropical Agriculture Platform was launched by the FAO at the first G20-led Meeting of Agriculture Chief Scientists (MACS) in September 2012 following commitments made by G20 agriculture ministers in 2011. The Platform aims to enhance domestic capacities for agricultural production and productivity in tropical countries focusing on smallholders.

“Tropical Agriculture Platform (TAP)”, FAO, Web site, accessed on November 2016, <http://www.fao.org/in-action/tropical-agriculture-platform/background/en/>.

chains, negative effects of climate change, and those programmes that target women and youth.

The leaders viewed the Good Practices on Family Farming and Smallholder Agriculture as a useful tool for G20 members and non-members. The document is a proposal by Brazil with contributions by Argentina, Australia, Canada, France, India, Japan, the United States and FAO, to identify policies, programs and tools; it emphasizes targeted policies to enable family farmers and smallholders' access to inputs, support services, rural credit sources, agricultural insurance, transportation, irrigation, storage and public investment programs. More specifically, the document drew attention to:

- **Access to agricultural inputs (i.e. water resources, seeds and other plant)**, use of water-efficient technologies/practices as well as social technologies and participatory approaches for supply systems' management; and protection of farmers' rights.

- **Regularly updated registries** to ensure access to targeted public policies and data sets on the profile of smallholder farmers in developing countries to support evidence-based policies and evaluation.

- Policies that support **development of food-value chain and agro-related activities**

- **Access to Information and Communications Technology (ICT) for** information on markets, agronomic practices, fertilizer and use of pesticides, weather and pest-related issues as well as access to financial services and social protection in rural areas.

- **International horizontal cooperation and triangular cooperation** on family farming to strengthen exchanges on best practices and to ensure adoption of technologies; and donor support.

- **Policies and legislation** targeted to family farmers and smallholders that ensure their participation in the design, implementation and assessment of policies.

- **Market Participation of Family Farming and Smallholders** through targeted public procurement programmes and initiatives to enhance these programmes ; WTO-consistent tools including agricultural insurance, incentives for establishing or participating in associations and public procurement of food.

- **Partnerships with Multilateral Development Banks (MDBs)** for long term credit needs of the agricultural sector and to provide technological support to agricultural cooperatives and farmer producer organizations;

- **Research and technical Assistance and Rural Extension through** interactive, inclusive and dynamic Agricultural Innovation Systems (AIS); synergies between public and private actors, including farmers; vocational training; adoption of technologies, practices and production models through initiatives i.e. cooperation between universities and educational exchange between farmers; investment in agricultural innovation, science and technology, production patterns and business models to tackle climate change and natural resource constraints i.e. joint agricultural research and development programs

- **Rural Territorial Development** through co-ordination of sectoral policies and government agencies

and integrated and strategic rural-urban development by strengthening local stakeholders' organizations and institutions.

- **Social protection systems** such as regular and predictable cash transfers to poor households.

- Strengthening farmers' organizations and programs that strengthen their capacities

- **Targeted Credit and Investment Programs**

- **Women and Youth participation in Family Farming**

Lastly, the leaders welcomed the contribution of initiatives that promote sustainable agricultural development once again drawing attention to the Global Agriculture and Food Security Program (GAFSP). The GAFSP was launched in April 2010 by the G20 in response to the global food price crisis of 2008–2009. It is a multilateral fund managed by the World Bank Group that mobilizes public and private sector funding to low income developing countries for agricultural development and food security, focusing on smallholders¹.

1. Global Agriculture and Food Security Program (GAFSP), Web site, accessed on November 2016, <http://www.gafspfund.org/content/about-gafsp>.

SECTION 6: Evaluation of Progress and Accountability

G20 leaders have made both structural and macroeconomic commitments since the 2009 Pittsburgh Summit where they agreed to work together adopting the Framework for Strong, Sustainable, and Balanced Growth. They also established a mutual assessment process, which covers fiscal policies, monetary and exchange rate policies, and structural policies. The IMF was tasked with assessing the coherence, consistency, and mutual compatibility of policy frameworks, and their effectiveness, also bringing inputs from other international organizations based on their areas of expertise i.e. the FSB on financial policies; the ILO on labor market policies; the WTO on trade policies; as well as OECD, UNCTAD and the World Bank.¹

In 2012, members enhanced the mutual assessment process (MAP) accountability framework adopting the Accountability Assessment Framework based on three pillars: *Guiding Principles, A Peer-Review Process informed by Third-Party Assessments and Regular Reports to Ministers/Governors/Leaders*.² Each year the G20 Framework Working Group publishes an Accountability Assessment Report that takes stock of the G-20's progress on established commitments as part of the Framework for Strong, Sustainable, and Balanced Growth and since Brisbane, of the G20 member commitments made in country growth strategies.

During the Turkish presidency, an accountability framework was developed to help countries adapt their growth strategies to changing global circumstances in order to achieve the 2 percent growth target. Countries were asked to focus on their most substantive commitments thereby, selecting a total of 127 key commitments out of more than 1,000 commitments made in Brisbane; they provided detailed information and schedules about implementation of these key commitments, which were evaluated through peer reviews and by international organizations. The analysis carried out by the IMF, OECD, and World Bank Group showed that key commitments represented more than one third of the G20's collective growth ambition. At the time of the assessment in October 2015, almost half of the key commitments were fully implemented which would raise G-20 GDP by around 0.8 percent by 2018³. Moreover, the Antalya

1. IMF, "The G-20 Mutual Assessment Process and the Role of the Fund", IMF note prepared by the Strategy, Policy, and Review Department and the Legal Department in consultation with Research and Other Departments and approved by Reza Moghadam and Sean Hagan, 2 December 2009, <http://www.imf.org/external/np/pp/eng/2009/120209A.pdf>

2. G20, "The Los Cabos Accountability Assessment Framework", Annex to the Los Cabos Growth and Jobs Action Plan, Los Cabos Summit, 19 June 2012, <http://www.g20.utoronto.ca/summits/2012loscabos.html>

3. The report notes that "(t)he estimate is based on the same IMF-OECD methodology as used for the Brisbane Action Plan to quantify the overall impact of the policy measures, taking into account productivity and labour supply effects, as well as demand and supply responses and international spillovers." IMF-OECD-World Bank, "Quantifying the Implementation of G-20 Members' Growth Strategies", G20 Turkey, 2015, <http://g20.org/English/Documents/PastPresidency/201512/P020151228379620821453.pdf>

Action Plan adopted by leaders included adjusted growth strategies and implementation schedules for key commitments based on the review¹.

Based on the same review mechanism, the IMF, OECD and World Bank Group assessment in 2016 showed that 55 per cent of key commitments in the Brisbane growth strategies and 45 per cent of the key commitments included in the Antalya growth strategies were fully implemented. Yet, there were variations among members. According to the estimations, structural reform measures in the growth strategies that were fully implemented would increase collective G20 GDP by an additional 1.0 per cent by 2018. This is slightly above the 0.8 percent estimated at the time of the Antalya Summit but well below the 2 percent target.²

6.1. The Enhanced Structural Reform Agenda: A New Measurable Action Plan to Monitor Progress of Individual Countries

Under the Chinese presidency in 2016, members adopted an enhanced structural reform agenda. This framework aims to improve the assessment and monitoring of progress of structural reforms as well as their adequacy in addressing structural challenges. The enhanced structural reform agenda aims to boost productivity and potential output to achieve strong, sustainable and balanced growth; it plays an essential part in promoting innovation-driven growth.

The enhanced structural reform agenda is based on nine priority areas of structural reform³ and on a set of guiding principles for each area (a total of 48) to provide high-level guidance for G20 members' policy

1. G20, "Antalya Action Plan", G20 Turkey, November 2015.

2. IMF-OECD-World Bank, "Quantifying the Implementation of G-20 Members' Growth Strategies", Draft report, September 2016, <http://www.g20.org/English/Documents/Current/201609/P020160914402735337863.pdf>

See also: G20, "Hangzhou Accountability Assessment", G20 China, G20 Framework Working Group, September 2016.

3. Nine priority areas of structural reform include:

- 1-Promoting trade and investment openness,
- 2-Advancing labour market reform, educational attainment and skills ,
- 3-Encouraging innovation,
- 4-Improving infrastructure ,
- 5-Promoting competition and an enabling environment,
- 6-Improving and strengthening the financial system,
- 7-Promoting fiscal reform,
- 8-Enhancing environmental sustainability
- 9-Promoting inclusive growth

reform efforts, including to update their growth strategies. In updating their growth strategies in 2016, G20 members made voluntary commitments relating to the above nine priority areas.¹

Furthermore, the leaders endorsed a new quantitative framework consisting of a set of indicators— to be improved over time – with an aim to monitor and assess the progress and effectiveness of structural reform efforts as well as their adequacy to address structural challenges while at the same time taking into account specific economic conditions in individual countries^{2, 3}.

The indicator system will be used in the future Accountability Assessment exercises to measure the implementation status of new commitments relating to the nine priority areas. The OECD together with other IOs will produce a technical report using the common indicator system to assess progress and to indicate challenges within the structural reform priority areas. The enhanced structural reform agenda has been incorporated into the G20 Framework Working Group (FWG).⁴

The leaders also noted that an integrated growth strategy that includes short, medium and long-term measures is underway.

6.2 Accountability in other G20 Work streams

Efforts on the part of the Financial Stability Board (FSB) to monitor progress during the implementation of reforms have been significant. In addition to its annual progress reports, the FSB monitors the implementation and effectiveness of international financial standards and policies through country peer reviews and thematic peer reviews.⁵ Starting in 2015, the FSB began to publish a consolidated annual report for the G20 on the progress on implementation and effects of regulatory reforms including key issues and challenges that require high level attention. The report brings together and summarizes

1. G20, “G20 Enhanced Structural Reform Agenda”, G20 China, G20 Framework Working Group, September 2016.

2. Ibid.

3. Upon the request of the G20, the IMF developed guiding principles for structural reforms. The IMF noted that reform priorities are first identified based on an evaluation of structural policy gaps for each country in order to understand reforms that are most likely to have the largest impact on boosting growth. Furthermore, specific structural reforms are identified and designed according to each country's macroeconomic environment and national preferences. In this relation, the IMF takes into account the country's income level, its position in the economic cycle and its policy space for reforms. See: IMF, “A Guiding Framework for Structural Reforms,” IMF Staff Note for the G20, April 2016, <https://www.imf.org/external/np/pp/eng/2016/033116.pdf>.

In July 2016, the IMF had made structural reform recommendations for G-20 countries. Also see:

IMF, “Priorities For Structural Reforms In G-20 Countries”, IMF Staff Background Paper for G-20 Surveillance Note, 13 July 2016.

4. G20, “G20 Enhanced Structural Reform Agenda”, G20 China, G20 Framework Working Group, September 2016.

5. FSB, “3rd Annual Report - 1 April 2015 – 31 March 2016”, Financial Stability Board, 25 July 2016, <http://www.fsb.org/wp-content/uploads/FSB-3rd-Annual-Report.pdf>

findings of reform-specific progress reports and other inputs from various work streams of the FSB and Standard Setting Bodies(SSB)¹.

Other G20 working streams also have their own accountability frameworks including the Anti-Corruption Working Group and the Development Working Group (DWG). For instance, the Development Working Group's accountability framework for its development agenda, adopted by the St Petersburg Development Outlook, includes an Annual Progress Report and a Comprehensive Accountability Report once every three years².

1. FSB, "Implementation and Effects of the G20 Financial Regulatory Reforms", Financial Stability Board 2nd Annual Report, 31 August 2016.

2. G20, "Saint Petersburg Development Outlook", G20 Russia, 2013, http://g20.org.tr/wp-content/uploads/2014/12/Saint%20Petersburg%20Development%20Outlook_0.pdf

SECTION 7: Policy Recommendations and Prospects for 2017 and Beyond

1. Inclusive and sustainable growth

Innovation was the center piece of the leaders' communiqué, indicating innovation should be taken seriously. While critics draw attention to the communiqué's emphasis on IPR¹, also of note is the consistent inclusion of technology transfer (albeit always accompanied by the phrase “on a voluntary basis”) throughout the agenda.

The G20's new innovation agenda should not lose its long –range vision. The German G20 presidency has signaled that it will focus on digital economy. This should not only be limited to issues such as IPR and internet governance and digital access. Maintaining the balance between protecting innovation and laying ground work for wider access to technology through encouraging technology transfer, should be a priority of the future presidencies. Furthermore, focus on technological innovation should take into account future opportunities and challenges such as preparing industrial infrastructure and regulatory standards for emerging technologies (in addition to the governance of the Internet) and workforce challenges.

The G20 should place a greater emphasis on the disruptive effects of technological development on labor markets, employment patterns and incomes. While there is mention of more in-depth studies on the new industrial revolution's impact on employment and social systems in the long run, the potential implications of technological unemployment need to be further addressed. The policy vision must take into account the disruptive effects of technology on employment, of destroying jobs in the short run, and that the replacement of such jobs is not clear in the medium or even in the long run. In recent years, the idea of a universal basic income as a possible solution to technological unemployment, has gained momentum². In an interview in October 2016, President Barack Obama, pointing to the economic implications of Artificial Intelligence(AI) and the specter of technological unemployment, underlined a need for “redesigning the social compact”, he noted “whether a universal income is the right model—is it going to be accepted by a broad base of people?—that's a debate that we'll be having over the next 10 or 20 years.”³

1. Nancy Alexander and Aldo Caliari, “Some Highlights of the 2016 China-led G20 Summit”, Heinrich Boll Foundation, Publication Series Economy & Social Issues, Washington D.C. 2016, https://us.boell.org/sites/default/files/uploads/2016/09/na-ca-_g20-final.pdf

2. Davey Alba, “We Must Remake Society in the Coming Age of AI: Obama”, Wired, 12 October 2016, <https://www.wired.com/2016/10/obama-aims-rewrite-social-contract-age-ai/>

3. President Barack Obama's interview with WIRED Editor in Chief Scott Dadich and MIT Media Lab Director Joi Ito. See: Scott Dadich “Barack Obama, Neutral Nets, Self-Driving Cars, the Future of the World” Wired, 12 October 2016, <https://www.wired.com/2016/10/president-obama-mit-joi-ito-interview/>

The G20 should continue to develop its work on supportive labor market institutions and policies—the Sustainable Wage Policy principles boosting of aggregate demand for economic growth is an important step in this direction. The G20 Job Quality Framework adopted in 2015 emphasized labor market institutions and policies taking into consideration minimum wage requirements and wage determination through collective bargaining arrangements as well as increased support to workers through unemployment benefits schemes or other adequate social protection/assistance programmes. In 2016, the leaders pointed to the links between strong labor market institutions/policies and increased productivity, promotion of decent work and wage growth especially for low income workers.

The Syrian refugee crisis with an economic impact on host countries’ labor markets and the economic well-being of refugees should remain high on the G20 agenda. The G20 should be more proactive on this issue. In 2016, emphasizing the economic dimension of the issue, the G20 labor and employment ministers called on the Employment Working Group to coordinate with other working groups in forming policy options to support labor market integration of refugees and migrants in conformity with national laws in host countries. At the same time, the G20 Agenda Towards a More Stable and Resilient International Financial Architecture noted new contributions and bilateral loan resources pledged to the Poverty Reduction and Growth Trust (PRGT) calling on more contributors to participate in assistance for countries facing non-financial shocks such as the refugee crisis.

The G20 Entrepreneurship Action Plan can be an important contribution but needs to be further strengthened along the lines of financing approaches adopted in the case of SME addressing SME access to different types of finance.

The G20 should abstain from primarily being a voice of big business. It needs to balance the concern with respect of IPR protection and transfer of technologies, especially those, which are environmentally friendly and provide broad access to innovation in food production, energy generation and health. The IPR protection emphasis is important in boosting foreign direct investment and for this reason it would not be in the interest of developing countries to reject the idea of IPR. Yet, this should not discourage the push for more open science and open data initiatives and technology transfer (especially in areas of clean energy and agriculture) including those underlined by the current agenda.

The G20 Guiding Principles for Global Investment Policymaking are a welcome step – they should not be dominated by IPR interests of multinationals. The principles are non-binding with a stated objective to “(i) foster[e] an open, transparent and conducive global policy environment for investment, (ii) promot[e] coherence in national and international investment policymaking, and (iii) promot[e] inclusive economic growth and sustainable development.” The leaders endorsed the principles stating that they should help “foster an open, transparent and conducive global policy environment for investment.” In the future the leaders should put an equal emphasis on point (iii) to take into account the concerns of developing countries.

The multi stakeholder cooperation model - to bring together entrepreneurs, investors, research

institutions, policymakers, academia, standardization organizations and industrial and trade associations- proposed in the current agenda is an important development. The NIR agenda proposes multi-stakeholder cooperation on new standards to integrate new technologies so as to create a new manufacturing environment and explore new infrastructure that is critical for meeting the development requirements of NIR. This proposition should also ensure that multinational interests do not dominate all debate.

2. Economic and financial governance

The G20 policymakers in advanced economies with systemically important central banks should share their outlook on future domestic interest-rate and exchange-rate policies. Coordination is particularly important taking into account the fact that rates were reduced to the zero bound limit by systemically important central banks in developed countries in the post-crisis¹. The post-crisis literature – taking into account the fact that rates were reduced to the zero bound limit by systemically important central banks – shows the impact of policy coordination is quantitatively much more significant than earlier models suggested.²

The G20 should continue to encourage cooperation to address global funding pressures when they occur. The IMF should continue to enhance coordination with and provide technical assistance to regional financing arrangements, without violating their mandates as suggested by the communique (i.e. the joint test run between the Fund and the Chiang Mai Initiative Multilateralisation (CMIM)). Furthermore, swap facilities that were effectively used by the US Federal Reserve to improve global funding and credit markets during the crisis can be turned into permanent mechanisms to address global funding pressures when they arise. For instance the US Federal Reserve can make permanent dollar-swap arrangements with emerging economies³.

1. Feride Inan and Gunes Asik, "The G20 Forum as an Opportunity to Improve Cooperation between Emerging and Advanced Economies", Economic Policy Foundation of Turkey (TEPAV) Report, December 2014.

2. See, Valentina Bruno and Hyun Song Shin, "Capital Flows and Risk Taking Channel of Monetary Policy", NBER Working Paper, No: 18942, Cambridge, MA, 2013, <http://www.nber.org/papers/w18942.pdf>;

John B. Taylor, "International Policy Coordination: Past, Present and Future", Bank for International Settlements(BIS) Working Paper, No. 437, 2013, http://web.stanford.edu/~johntayl/2013_pdfs/International_Monetary_Policy_Coordination_Past_Present_and_Future-BISwkgpaper-Dec2013.pdf ;

Jaromir Benes, Michael Kumhof, Douglas Laxton, Dirk Muir and Susanna Mursula, "The Benefits of International Policy Coordination Revisited", IMF Working Paper No. 13/262, 2013, <http://www.imf.org/external/pubs/ft/wp/2013/wp13262.pdf>

3. Feedback provided by Yuksel Gormez, Central Bank of Turkey to the Think-20 Turkey policy paper, see: Feride Inan, "Macroeconomic Coordination and Financial Stability", Think-20 Turkey Policy Papers, Economic Policy Foundation of Turkey (TEPAV), November 2015

The G20 needs to continue its efforts to bring predictability to sovereign debt restructuring processes. The Paris Forum, which was proposed by the G20 in 2016 as “the principal international forum concerning debt restructuring” raises the same legitimacy question that was raised for the IMF before which is in relation to whether creditor countries should be the only ones involved in organizing debt restructurings.¹ Furthermore, the G20 has taken a contractual approach to sovereign debt restructuring whereby terms for restructuring are incorporated into sovereign bond contracts when the bond is issued. For now, a binding statutory approach such as the one proposed by the United Nations General Assembly in 2014 for the creation of a “multilateral legal framework for sovereign debt restructuring” is shelved. Noteworthy is that the resolution was passed by 124 countries while countries that are major financial centers voted against it.

The G20, through the Financial Stability Board (FSB), should ensure that negative effects of financial regulations, for instance on financial inclusion, are addressed. There is a downside to regulatory measures. For instance, regulations that address global anti-money laundering and countering of financing of terrorism (AML/CFT), to the extent to which banks need to know their customers’ customers, may be a reason behind the decline in correspondent banking services. This may lead to fragmentation of cross-border payment networks, narrow the range of options for transactions and drive some payment flows underground, with potential consequences on remittances, financial inclusion, as well as the stability and integrity of the financial system.

It is critical that the G20 Green Finance Study Group (GFSG) was established in the G20 Finance Track in 2016 – GFSG should continue to focus on the financial risks of non-green investments. Accordingly, the G20 should spearhead the design of a policy framework to assess risks to financial markets of non-green investments. Furthermore, G20 should move towards formulating a mandatory disclosure regime for companies and financial institutions.

As an aspect of its infrastructure agenda, the G20 should further develop the ongoing work on ensuring the efficacy and sustainability of new approaches to finance infrastructure that are coming forth including an emphasis on PPPs and other sources of private finance such as institutional investors. The Annotated Public-Private Partnership (PPP) Risk Allocation Matrices that was prepared by the Global Infrastructure Hub focuses on the appropriate allocation of risks in public –private – partnerships in infrastructure projects i.e. identifying risks and differentiating between those risks that are best managed by the private sector, the public sector, and those that should be shared. The G20/OECD Principles of Corporate Governance, in its 2015 version, includes a new chapter on Institutional investors, stock markets, and other intermediaries.

1. Tiago Stichelmans, “Why a United Nations sovereign debt restructuring framework is key to implementing the post-2015 sustainable development agenda”, European Network on Debt and Development (Eurodad), Eurodad briefing paper for European legislators and decision-makers, May 2015, <http://www.eurodad.org/files/pdf/560542f0a6035.pdf>

3. Tax governance

The tax transparency agenda should remain a high priority given unsustainable wealth and income inequalities. Tax transparency came to the forefront of debate in the aftermath of the Panama papers tax evasion scandal in 2016. The leaders laid a special emphasis on illicit financial flows in three different paragraphs of the communique. The G20 should also put a special emphasis on beneficial ownership of trusts, which has been problematic due to the ambiguities in trust ownership and the high level of confidentiality involved¹.

The G20 should collectively stand by its commitment to take “defensive measures” against countries that do not implement the agreed international standards on tax transparency.

The G20 should ensure that the rule-making processes in future frameworks for global tax governance are more inclusive of developing countries. In 2016, the base erosion and profit shifting (BEPS) project for global tax governance became more inclusive with the establishment of the G20/OECD Inclusive Framework on BEPS. Although the new Framework allows for interested countries and jurisdictions to participate in the implementation process of the BEPS project, new entrants were not part of the rule making processes. On the other hand, the new Platform for Collaboration on Taxation allows for developing countries to participate in the designing of rules and standards for international taxation. This attempt would bring more legitimacy to the global tax agenda.

4. Trade governance

The G20 should propose an understanding of trade and investment policy that differentiates between trade, which significantly incurs job losses and wage stagnation, and trade, which offers possibilities including for foreign direct investment.

The G20 should ensure that WTO remains central to global trade negotiations. The Doha Round seems to be dead; yet the WTO is critical for developing countries to have an equal voice in negotiations.

The G20 leaders should stand by their commitment to ensure preferential trade arrangements (PTAs), including mega-regional agreements, complement the multilateral system and protect the interests of more vulnerable countries. Compared with earlier PTAs, the recent ones often include a larger number of trading partners and are much more comprehensive in terms of their coverage. The leaders should commit future RTAs by G20 members that would be open to admitting new parties, and include provisions for review and expansion. They should make an active effort to broaden the participation in

1. “Trusts and financial transparency - The weak link”, *The Economist*, 31 October 2013, <http://www.economist.com/blogs/schumpeter/2013/10/trusts-and-financial-transparency>

RTAs of low income countries. Equally, important is that PTAs are transparent.

WTO –led plurilateral agreements should not be an alternative to WTO multilateral negotiations, which have the benefit of participation of all members in the making of rules. In 2016, the leaders began to treat plurilateral agreements as a separate category noting that “WTO-consistent plurilateral trade agreements with broad participation can play an important role in complementing global liberalization initiatives”. The leaders noted the Environmental Goods Agreement(EGA) and trade ministers took note of the expanded Information Technology Agreement (ITA) and the Trade in Services Agreement (TiSA). TiSA is negotiated outside the WTO and it is hoped that it will be absorbed into the WTO.

5. The G20’s engagement with the global development agenda and Africa

The G20 has taken an important step proposing to streamline the UN’s sustainable development agenda across all G20 work streams – however, the implementation of the G20 Action Plan on the 2030 Agenda for Sustainable Development will depend on effective coordination between the Development Working Group (DWG) and relevant working groups, especially in the finance track. The absence of coordination between the G20 sherpa track and finance track is a serious problem. For instance, development working group issues within the jurisdiction of the sherpa’s track, such as food security, energy, financial inclusion, data collection and infrastructure, require financial tools to be implemented. Without including decision-makers in the finance track, developmental issues discussed in the G-20 cannot be translated into concrete policies.¹ During the Turkish presidency in 2015, the Development Working Group and the Employment Working Group adopted the Multi-Year Framework for Policy Coherence and Coordination on Human Resource Development that aims to coordinate activities between the two working groups. A similar arrangement could be made between Development Working Group and the Framework Working Group in the finance track.

The G20 Initiative on Supporting Industrialization in Africa and Least Developed is one of the high achievements of the Chinese G20 presidency - the G20 should pursue this framework and involve African countries participation at the working group level. A well-integrated, concrete initiative for cooperation in support of industrialization in Africa and low -income developing countries is offered by this initiative that brings together growth, development and sustainability objectives underlined by the new innovation agenda. In the direction of inclusivity, though the Chinese presidency has taken an important step of including significant number of African countries at the Hangzhou Leaders’ Summit and at the sherpa meetings, African governments are excluded from policymaking processes that take place at the working group level. In 2014, Paul Martin, the former prime minister of Canada and a founding

1. Ussal Sahbaz and Feride Inan, “Turkey and the G-20 Presidency: Implications for LIDCs and Africa”, South African Institute of International Affairs, Economic Diplomacy Programme, SAIIA Policy Insights No. 19, June 2015.

member of the G20, drew attention to the urgency of including African policymakers in G20 working groups¹.

6. Accountability

Issues of efficacy often come up in relation to the G20: Is it all talk or does G20 both as a joint body or through its individual members have any leverage in making good of its proposal by exerting pressure over governments or organizations? Conversely, can G20 or its individual members be held accountable for not making good of their proposals? The G-20's Mutual Assessment Process (MAP) framework designed to keep tap of progress on objectives as part of the Framework for Strong, Sustainable, and Balanced Growth and since Brisbane, of the G20 member commitments made in country growth strategies, is a voluntary mechanism based on G20 member countries' own assessments and conclusions. The positive dimension of this system is that it allows for coordination without being invasive. On the other hand, the voluntary nature distracts from independent assessment.

Furthermore, G20's performance on accountability has been weak in terms of monitoring progress on all issues within its scope of work. The efforts to monitor progress have been uneven for work streams outside of the G20 Framework Working Group and there is no quantitative evaluation of their progress. One proposal that has been continuously made over the years is to incorporate the Development Working Group's accountability into the MAP process.²

1. Paul Martin's remarks at the Economic Policy Research Foundation of Turkey (TEPAV), 21 October 2014.

2. For instance see, Susan Harris Rimmer, "Coherence and Humility: Development Priorities for the G20", in "Development and the G20", Lowy Institute for International Policy, G20 Monitor No. 5, August 2013.

Concluding Remarks

Above all, the Chinese G20 presidency has been about giving substance to a new phase of globalization at a time when it is discredited. The presidency proposed a governance framework for making the global economy more productive and more responsible to less developed countries. Viewed from this perspective, inclusivity, which runs through the communique, included emerging but also less developed economies, especially in Africa; not only big multinational corporations, but also SMEs and mega State Owned Enterprises. Second, while globalization has helped mitigate country imbalances, there has been a tendency towards an unequal distribution of benefits of global economic development within individual countries. Hence, the inclusivity agenda also addressed access to infrastructure, food, energy, as well as skills development and income distribution, with an eye on risks posed by technological change to employment. Third, the Chinese presidency's agenda emphasized opportunities technology provides for sustainability in relation to the environment, food production, and energy generation. Technological innovation cuts across all discussions in that productivity gains from technological innovation are spread across economies.

The Chinese presidency's agenda has its roots in the two preceding presidencies. Introducing a structured growth agenda at the Brisbane Summit, G20 leaders set the additional 2 percent global growth target and country-specific growth strategies to achieve this target with a focus on infrastructure. This imparted a strategic approach to G20's growth ambitions and further alignment of members' individual policy commitments in support of a common strategy. Building on the Brisbane framework, the Turkish presidency focused on inclusivity. It explored the links between employment and growth and paved the way for the Chinese presidency's agenda discussions on the impact of technology on employment. It also facilitated the alignment of the UN and G20 development agendas. In this case, the specific focus on the UN agenda is important because the Sustainable Development Goals (SDGs) - unlike their predecessors, the Millennium Development Goals (MDGs) - target both developed and developing countries. In the case of the latter they represent a shift in the understanding of funding from aid flows - from developed to developing countries - to domestic capacity enhancement and financing. This reflects emerging financial and political constraints on the part of advanced economies as much as an understanding of failures and stigmas attached to past development policies. The new discourse may be able to go beyond aid cuts - as these are still very much needed - to one that encompasses meaningful transfers, including technology transfer that will put developing countries on a self-sufficient path to development.

Building on these fundamentals of a shared strategy and inclusivity, the Chinese presidency has taken three bold steps. First, it introduced innovation into the G20 agenda as a central leitmotif of growth and ensured that it was effectively spread across all agenda items.

Two, the presidency created a platform for voicing the interests and perspectives of developed and

developing economies, in and outside of the G20. For instance, the communique emphasized IPR while consistently bringing up the issue of technology transfer. Although the latter was always accompanied by the phrase “on a voluntary basis”, the inclusion of the terminology of technology transfer itself can be seen as a gain on the part of developing countries. The common strategy underlined here is the creation of a predictable investment environment. Similar tensions between multiple, often diverging interests can be found all across the agenda.

Third, the presidency’s “innovative, invigorated, interconnected and inclusive global economy” framework effectively linked different aspects of the G20 agenda with the objective of stimulating growth through technological change and innovation, and making growth sustainable by seeing to it that it is environmentally friendly and inclusive of developing countries as well as the developed ones.¹ This can be best observed in the G20 Initiative on Supporting Industrialization in Africa and Least Developed Countries, which encompasses a host of factors including energy, trade, infrastructure, and employment. This is a clear departure from the earlier approach to Africa and Least Developed Countries in the G20 that focused on specific priority areas such as infrastructure, food security among others, largely as distinct from one another. The industrialization initiative provides a comprehensive policy vision and strategy for low income developing countries. A holistic approach may also pave the way for the alignment of strategies to resolve tensions and move forward with win-win policies.

The operationalization of the governance framework proposed by the Chinese presidency is viewed from the perspective of understanding shared problems, seeking win-win solutions without interfering in national obligations and initiating cooperation accordingly. This is reflected in the inclusion of different perspectives in the communique. Chen Dongxiao from the Shanghai Institute for International Studies (SIIS) notes, “Neoliberalism’s primacy has been repeatedly challenged since the 2008 global financial crisis... emerging economies’ narratives of diverse development paths based upon their own national conditions, though far from being mainstreaming, have been acknowledged ... and appreciated especially among an increasing number of developing countries.” He argues, “Diversified ideas/values on global economic governance have given rise to an increasingly fierce discourse contest for rule-making authority of global economic governance, including the powers to make, interpret, and enforce rules.” Taking into view these considerations, Chen Dongxiao concludes that “it makes enormous sense to build a new consensus on effective global economic governance by promoting mutual learning and complementarity rather than rivalry and clash among diverse ideas/values.”²

1. Feride Inan, “What Did the G20 Accomplish During China's Presidency?”, *The Diplomat*, 9 September 2016.

2. Chen Dongxiao, “The Global Economic Governance: New Development, China's New Role and Think Tanks' New Task”, Speech at the 2016 Global Think Tank Forum, November 10, 2016, Shanghai.

<http://en.siis.org.cn/index.php?m=content&c=index&a=show&catid=22&id=581>

Furthermore, the Chinese presidency has leveraged the flexibility offered by the G20 platform. The G20 does not have a secretariat, does not have enforcement power. Instead, it simply prompts countries to implement commitments, and to make self-assessments to be incorporated into a larger strategy framework. This is a clear departure from the Bretton Woods institutions advancing policy prescriptions, the application of which were requirements for participation in a post-war world order. It may seem that cooperation without obligation, and results without strict prescriptions, are improbable. Viewed from another perspective, the G20's flexibility, its ability to alter and change course, may render it responsive to the governance demands of rapidly changing global and national conditions. Huang Wei from the Chinese Academy of Social Sciences (CASS) argues that the G20 Hangzhou Summit was a new starting point in global economic governance that reflects emerging trends including the emergence of diverse actors as well as more democratization and flexibility in the global governance system¹.

Whether the governance framework proposed by the Chinese G20 presidency will find receptivity in different countries to alter the trend of inequality in different regions remains to be seen. The other questions that remain who will take it forward and how? Pointing to the difficulties in coordination of policies of G20 countries, Wang Wen from the Chongyang Institute for Financial Studies (RDCY) notes, "After four decades, the G7 has become a relatively solid scheme after years of coordination, and its members have the same values, ideology and goals ... the bottleneck for the G20 is that its members don't have the same ideology, values or goals, which means G20 still has a long way to go in these aspects."²

According to Rakesh Gupta, "Though G20 summit is not a platform that makes enforceable decisions, the communique from the G20 summit does set the tone for future economic direction and future trade negotiations."³ Similarly, Li Dongyan, from the Chinese Academy of Social Sciences, argues that "International meetings are playing an increasingly important role in addressing varying global issues."⁴

In relation to the "who" question according to Li Dongyan "As China gets stronger by participating in globalization, it is increasingly becoming more involved in global governance and shouldering more responsibility in addressing global challenges...for this reason, playing a more important role in major global institutions is inevitable."⁵ Wang Wen argues that "The Chinese government is becoming much more confident about taking an active role in global governance and the G20 is the best platform provided

1. http://tt.cssn.cn/zk/zk_rdgz/201611/t20161110_3271817.shtml

2. "Experts envision G20 as a long-term global governance platform", China daily, 4 September 2016, <http://www.globaltimes.cn/content/1004620.shtml>

3. Rakesh Gupta, "Globalisation, G20 and Hangzhou meeting", China daily, 2 September 2016, http://www.chinadaily.com.cn/opinion/2016-09/02/content_26677322.htm

4. "Xinhua Insight: China embraces summit diplomacy in addressing global challenges", Xinhuanet, 17 September 2016, http://news.xinhuanet.com/english/2016-09/17/c_135692697.htm

5. Ibid.

for China to deepen its involvement in global economic governance.” Accordingly, we should “Expect China to show more interest in engagement in lieu of practical reforms of the traditional governance institutions.”¹

In October 2015, right before China took over the G20 presidency, Xinhua quoted President Xi Jinping’s remarks underlining the need for global governance reform as an “ ‘irresistible trend,’ is about ‘laying down rules for the international order and mechanisms’, and ‘deciding in which direction the world will head’.”² Most significantly, the President underlined, “It is not simply a case of competing for the high ground of economic development but what roles and functions nations will play in the long-term systemic arrangement of international order.”³

Indeed, there is a need for systemic change not only in international governance configurations, and not only in developing countries, but also in developed economies. The failure to address growing economic risks and imbalances will lead to further societal polarization and more security issues. It is a political time, especially in advanced countries, where notions of free markets, for a period, de-politicized the economic environment, although inequalities remained across the world. Yet there is room for optimism. G20 2016 represents a departure from earlier models of governance and it can also be viewed as an upshot of a global environment in flux. The optimism is that there is space to support change, to take part in change to shape that change in all countries.

1. Wang Wen, “China’s Evolving Governance Role in the Global Economy:What does China hope to accomplish at the G20 summit?”, *The Diplomat*, 3 September 2016

2. “Xi stresses urgency to reform global governance”, *Xinhuanet*, 13 October 2015, http://news.xinhuanet.com/english/2015-10/13/c_134710046.htm

3. *Ibid.*

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