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INTEGRATED RECOMMENDATIONS FROM PREPARATORY TASKFORCES AND WORKING GROUPS

DISCUSSION WITH G20 SHERPAS



In conjunction with the next G20 summit in Cannes under the French presidency, the B20 Summit on November 2nd and 3rd will provide the opportunity to continue and further nurture the dialogue initiated last year in Seoul between G20 leaders and the business community. We look forward to continuing this dialogue in Mexico next year.

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Foreword. Our September 30 meeting is an important step towards preparing the Cannes discussions between G20 Heads of state and the business leaders. The French Presidency appointed the MEDEF to assemble a panel of business leaders, to develop proposals for the consideration of G20 leaders and to organize the B20 Summit, in liaison with other business organizations of the G20 countries. The World Economic Forum and the International Chamber of Commerce also assembled a panel of CEOs and developed recommendations. These three initiatives have now decided to join forces, and have developed an integrated set of proposals. In total, around 200 Chairs and CEOs from large corporations and SMEs as well as representatives from 23 business organizations across the G20 were involved in the panels.

This preliminary executive summary seeks to convey, in an integrated and concise way, the key recommendations developed by the different working groups. The contributors were engaged to not only frame recommendations but also propose a series of concrete actions that G20 leaders could take in Cannes to strengthen economic growth while rendering it more sustainable, balanced and inclusive. In addition, the working groups have proposed specific commitments to support a new, more action-oriented agenda.

This document first outlines selected recommendations and commitments along three cross-cutting themes and then presents short summaries of each working group's convergent top proposals as pre-reading for Sherpas in preparation of their meeting in Paris on September 30. We stand ready to develop them in a greater detail before the B20 Summit in Cannes. The final report will be published in October and will include the full text of proposals.

The draft recommendations in this document reflect the views of working group members alone and do not represent an institutional position of the World Economic Forum, the International Chamber of Commerce, nor do they necessarily represent the institutional position of the companies of participating CEOs.

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The World Economy at a crossroads. The upcoming B20 Summit comes at a pivotal moment for the world economy. Global growth is decelerating and investor confidence is eroding even as the fiscal and social aftershocks of the 2008-2009 global financial crisis persist in many countries. Stronger and more coordinated leadership from G20 leaders is necessary to reverse these trends. In particular, deeper cooperation among government and other stakeholders is required to **(1) Adjust global governance to the new realities to strengthen confidence; (2) Unlock the levers of economic growth; and (3) Ensure that the benefits of global growth are sufficiently shared to be sustainable.**

ADJUST GLOBAL GOVERNANCE TO THE NEW REALITIES TO STRENGTHEN CONFIDENCE – The world is increasingly complex and intertwined, so that a number of effective cooperation systems are required. However, global governance, international institutions and systems have yet to adapt fully to this new reality:

- Globalization calls for broader **transparency from public and players alike**. Beyond transparency, **better macroeconomic coordination is needed** to mobilize a strong, coordinated response to the mounting, interrelated monetary and fiscal challenges faced by major economies. **G20 leaders should commit to address today's critical economic situation with the same sense of urgency and common purpose that they exhibited at the Washington and London G20 summits in late 2008 and early 2009.** We also recommend that the G20 build on the leadership of the Korean and French G20 presidencies, and improve consistency and continuity of its action, by developing a transparent, multi-year, integrated agenda and by continuing to organize appropriate consultations of relevant stakeholders before making decisions. The business community is determined to make material contributions. In particular, **there is a growing consensus among business leaders for the business community to express commitments on anti-corruption, Corporate Social Responsibility, corporate governance, and several other important areas.**
- **The G20 should drive a reinforcement of key international institutions.** This requires 1) to **improve their legitimacy** (e.g., by increasing the weight of emerging economies in the IMF); 2) **to ensure their decisions are fully informed**, via **better consultation mechanisms**, notably with the business community and other stakeholders; 3) **to increase these institutions' effectiveness**, through **extended mandates** (e.g., IAEA, IMF) and **mechanisms to monitor the stringent implementation of decisions made** (e.g., peer reviews, independent assessment reports...). In particular, the IMF should be strengthened in its role of crisis manager and lender, capital market development, surveillance and support in the coordination of policies.
- **The business community and the G20 should collaborate together with the relevant regulators, to improve the international monetary and financial systems:**
 - Beyond the IMF reinforcement, it is essential that the G20 drive the construction of **a stable and multi-polar International Monetary System**. First, the G20 should encourage the convertibility and flexibility of relevant currencies for trade and investment. Second, the G20 should support the business efforts to address hedging challenges by ensuring that regulations don't hinder the use of hedging instruments, by enlarging the SDR basket, by increasing its role as a reserve currency, and finally by developing SDR private use.
 - The G20 has been instrumental in containing the 2008 financial crisis. **Today, there is concern about the uncertainty of future financial regulation and its possible cumulative impact.** What is at stake is not only the stability and profitability of financial institutions, but also their ability to finance the broader economy. The G20 should then ensure that the current regulatory process evolves in two areas. **First, regulators should take stock, before any new changes are made, of the current regulatory agenda, and set-up an integrated roadmap** informed by the impact assessment of regulatory measures, the state of implementation and potential unintended consequences (e.g., on trade finance, SME finance, and in general excessive pro-cyclicality). **Second, tools and procedures should be defined to ensure the homogeneous implementation of regulatory changes**, to prevent risk mutating (e.g., shadow banking across market segments and geographies) and provide clear information to market participants.

UNLOCK THE LEVERS OF ECONOMIC GROWTH – Many growth opportunities of global magnitude are still latent, and will only get materialized if states, international bodies, and business leaders act together to remove roadblocks and create favorable conditions:

■ **The G20 and the business community should collaborate to foster broader and more efficient markets:**

- **Successfully fighting corruption is a cross-cutting objective.** It requires a new multi-year Public Private cooperation based on complementary commitments. G20 Governments should commit to act individually and collectively to create a legal and institutional framework that prosecutes the “demand side” of corruption (intentional solicitation), encourages capacity building and establishes the correct balance between punishing wrongdoing and incentivizing compliant behavior. For its part, the B20 commits to accelerate private-sector initiatives to establish common rules, to improve compliance and to eradicate the “supply side” of corruption. As an example of increased collaboration, we propose that the G20 enhances its existing peer review mechanism for evaluation of national anti-corruption programs to include meaningful private sector consultations and input.
- **International trade and investment** has been and will remain a key driver of global growth. Hence, we urge the G20 to make trade and investment a permanent item in its multi-year agenda, and put all its weight on reaching practical targets, e.g., call on the WTO to rapidly finalize a ‘Trade Facilitation Agreement’, encourage the accession of Russia to the WTO.
- Also, G20 should redouble efforts at the international level to **enhance the functioning of the labor markets** and stimulate job creation by fostering flexibility and flexible forms of work, promoting global skills transfers and mobility, and developing real and effective public-private partnerships to identify and work together to meet job needs, skill gaps and education requirements.
- We should ensure the global growth potential is not constrained by high price volatility and, more importantly, by supply/demand tensions of **commodities, raw materials and energy. Actions should be taken to** foster efficient and liquid markets (e.g., avoid barriers to trade and investment, ensure stable regulatory regimes, increase commodities markets transparency ...) and to encourage a more efficient use of resources, through incentives or by removing harmful price subsidies.

■ **Business community and governments should join forces to accelerate and more fully leverage innovation, with a priority on Green Growth as well as on Information and Communication Technologies (ICT).** Generally speaking, all measures supporting entrepreneurship and SMEs – and mentioned above – will help, as entrepreneurship is the main source of innovation. For both Green growth and ICT, public incentives will of course be instrumental in fostering R&D, developing infrastructure, and supporting long term profitable areas. But just as importantly, the business community and the G20 should work together to develop the stable and appropriate regulatory frameworks necessary to ensure an attractive and level playing field. This includes putting a price on carbon, freeing trade in green goods and services, harmonizing rules pertaining to ICT (privacy protection, cyber security, intellectual property, author rights...).

■ **All countries should be encouraged to adopt sound public finance as best practice** (applying golden rules adapted to the diversity of situations). Governments with large structural deficits should rapidly reduce fiscal imbalances to manageable levels. To improve the performance of public services – doing more and better with less – governments and the business community should work together to develop outsourcing and Public Private Partnerships, and to leverage the private sector best practices (e.g., on education).

■ **G20 should promote long-term private financing of job-creating activities.** Restoring fiscal sustainability will help, but governments and regulators also need to improve prudential, accounting and taxation rules so that they are compatible with a longer timeframe. For its part, the business community commits to focus on long-term value creation in reforming corporate governance principles and compensation systems.

ENSURE THAT THE BENEFITS OF GLOBAL GROWTH ARE SUFFICIENTLY SHARED FOR GROWTH TO BE SUSTAINABLE – Robust competition has always been and will remain the best possible growth engine, and it is in the nature of things that some players are more successful than others. However, excessive imbalances can raise

tensions, between and within countries, to a point where political and social instability endangers growth across the board, and potentially leads to large-scale crises.

- Efforts to reach the '**Millennium Development Goals**' (MDG) **should be redoubled**, not only for their own sake, but also because development is potentially a massive source of global growth, as it will include new populations in global trade:
 - **Food security is a global priority.** The business community and the G20 need to work together to reduce volatility and ensure adequate food production and access. This requires improving the efficiency of food and agriculture markets through implementing policy reform (including **ending export restrictions**), improving infrastructure, and increasing transparency. It also requires **improving productivity**, in great part through **increasing investment from public and private sources by 50% by 2015**, as well as through improved technologies and sustainable farming practices.
 - **Infrastructure development will also be essential to achieving the Millennium Development Goals.** Although financing will of course play a role, it is as important to identify the right high quality projects and secure their successful implementation building local competencies. To this end, **the business community and the G20 should work together to develop a framework for better projects** (e.g., Well Prepared Projects, new types of Public Private Partnerships, infrastructure attractiveness index).
- **Social solidarity and social stability** should be promoted. In this spirit, business leaders propose to develop real and effective cooperation between business, governments, education providers and labor unions to identify **job needs, skill gaps and education requirements, and working in public-private partnerships to meet these needs and requirements**.
- Corporate Social Responsibility is key for growth and development. In this respect, business leaders reaffirm as a principle that companies should be responsible for the economic, social and environment impact of their business decisions. They commit to support broad-based CSR initiatives, such as the UN Global Compact and the OECD guidelines for multinational enterprises, and to encourage the full adoption of CSR principles on a global basis.

APPENDIX

I - ECONOMIC POLICY IMPERATIVE

Since 2008 financial crisis, the global economic context has substantially changed. Now, the priority for G20 should be to focus on measures that will spur private sector growth, leading to job creation and a healthier foundation for fiscal sustainability. This will require structural reforms in all G20 countries necessarily tailored for specific national conditions, during and post-crisis. Absent such policies, the social consequences of continuing crisis stand to be considerable.

Therefore business leaders make the following recommendations:

- **Governments should reduce the uncertainty hampering economic growth by communicating clear objectives, increasing transparency and reinforcing IMF surveillance:**
 - Develop and communicate mid-term economic objectives, specifically for fiscal, monetary and exchange policies and the regulatory agenda.
 - Mandate IMF surveillance of macroeconomic imbalances, and strengthen Mutual Assessment Process (MAP) and G20 guidelines:
 - Recognize the weight of emerging economies in the IMF and ensure the IMF considers a diversity of solutions to implement at country level;
 - Ensure regular and public assessment without political interference;
 - Embed MAP in stringent peer reviews on a 'comply-or-explain' basis;
 - Include in IMF Article IV reports a standardized table of key indicators to assess sustainability of policies.
- **Ensure sound public finance to boost long-term economic growth:**
 - Rapidly reduce fiscal imbalances to manageable levels in countries with large structural deficits to improve long-term economic growth potential; Restore fiscal discipline by reducing public spending rather than by increasing corporate taxation;
 - Encourage all countries to adopt sound public finance as a best practice (apply golden rules adapted to the diversity of situations);
 - Implement credible reforms of entitlement programs consistent with demographic realities and the objectives of strong private-sector participation;
 - Develop policies in emerging economies to facilitate economic convergence with developed countries.
- **Foster entrepreneurship, SME development and job creation:**
 - Remove unnecessary barriers to entrepreneurship and simplify processes to create new jobs;
 - Implement measures to facilitate SME engagement in the global economy through better access to the global digital marketplace, modern transport and communication infrastructure, and all forms of capital market facilities;
 - Review Basel rules to ensure creditworthy SMEs have access to capital.
- **Expand capital markets to long-term private investments:**

- Deepen and broaden capital markets in emerging economies to facilitate financially prudent private sector participation in long term investments;
- Business commits to focus on long-term value creation in reforming corporate governance principles.

II - FINANCIAL REGULATION

Three years after the crisis, there have been many changes to financial regulation aimed at enhancing future financial stability. Does that fit with the current economic challenges as well as demographic and social issues? Is that appropriate for today's and future's environment? These questioning led business leaders to make the following recommendations:

- Before any new changes are made, take stock of the current regulatory agenda and set up a structured roadmap for reform, considering the following:
 - Impact assessments of regulatory measures;
 - The state of implementation and potential unintended consequences (e.g. for trade finance and SME finance, and more generally, excessive pro-cyclicality);
 - The opportunity to routinely use sunset clauses that require regular reviews of how well regulations fulfill their purpose and either extend their sunset dates or automatically terminate them.
- **Enlarge the regulatory approach to other tools** such as macroeconomic, fiscal policies and supervision, which have a key role to play: regulation is not the answer to all current problems and in particular access to liquidity will not be solved only through the implementation of the Liquidity Coverage Ratio (LCR).
- **Define tools and procedures** to ensure consistent implementation of regulatory change, prevent risk mutating (e.g., into shadow banking across market segments or geographies) and provide clear information to market participants, while preserving the diverse banking ecology that brings resilience to financial systems. In particular:
 - All policymakers should adhere to corporate governance norms of transparency (such as publishing minutes from key meetings, regular consultations, peer reviews, etc.);
 - Reporting on the status of implementation should include a country-by-country comparison that indicates whether member states have under- or over-implemented the reform agenda;
 - The country roadmaps would differ on the starting points and needs since those of emerging economies are significantly different from those of more mature markets.
- Governments and financial institutions should create the right environment to allow financial services firms within a proper risk framework to innovate to meet the biggest social and economic challenges (e.g., a \$600 billion a year infrastructure investment gap, demographics and pension/retirement needs). Financial innovation must also address the needs of the 'unbanked', the more than two billion people that have no access to financial institutions.
- Financial institutions will support industry-led initiatives such as the Equator Principles and the Carbon Disclosure Project.

III- INTERNATIONAL MONETARY SYSTEM

An international monetary system that acknowledges countries' and economies' interdependence while fostering growth, stability and fairness at the global level, is important for world prosperity and the operation and growth of companies. In that context, the IMS has shown some major deficiencies: 1) Exchange rate misalignments; 2) Short-term capital flows; 3) The frequency and magnitude of financial crises; 4) Excess reserve accumulation; 5) Sub optimal provision of international liquidity.

A stable IMS requires that the G20 countries commit to sound domestic policies, macroeconomic co-ordination, the restoration of financial sector stability and pro-growth structural policies. More specifically, business leaders suggest the following actions:

■ **Support the business efforts to address hedging challenges:**

- Avoid penalizing hedging for purposes of international trade in any new regulation on derivatives markets or new bank regulation;
- Enlarge the basket of the SDR by other convertible currencies, and increase its role as an official reserve and private investment currency. Whilst a broad use of the SDR as a transaction currency is desirable, one can understand that it is only feasible in the mid to long term;
- Implement measures to increase companies' access to financial and non-financial currency hedges (notably, develop local debt markets to improve businesses' access to direct financing).

■ **Support the move towards a multi-polar currency system encouraging the convertibility and the flexibility of relevant currencies for trade and investment** – The structure and sources of trade and investment changed dramatically in the last decades. A multi-polar system would better fit with this new reality and would be instrumental to a reduction of firms' transactions costs, uncertainties and a more balanced global economy. The current system-with dollar dominance- amplifies the risks of the global economy. **The dollar and the euro should be followed by the Chinese Yuan and other emerging currencies in a multi-polar system.** For the business sector, a convertibility of the RMB would enhance trade and investment with regard to China. And for China convertibility is necessary to enhance the international importance of the nation's currency. The development of local financial markets and the transition to full convertibility should be intensified.

■ **Strengthen the International Monetary Fund (IMF)** in its roles of: crisis manager and lender, capital market development, surveillance and support in the coordination of policies.

■ **Help secure international liquidity, especially by** 1) Supporting the development of multiple sources of liquidity, to avoid **excessive reserve accumulation**; 2) Discouraging **capital controls**, to be limited in time, and encouraging alternatives (e.g., macroeconomic policies).

■ **Collaborate with the B20 to promote a better understanding of currency issues among all stakeholders, and notably institute a global monitoring to prevent crisis and imbalances:**

- Develop studies of currency instability impact on individual companies and the global economy as a whole;
- Promote the production and communication of indicators (both macro and microeconomic) about currency risks, to help businesses make well-informed decisions.

IV - COMMODITIES AND RAW MATERIALS

Current price levels and increased volatility are a cause for concern mainly driven by economic fundamentals. We recommend therefore that the G20 focus on reducing tension between demand and supply, especially at a time of increasing government restrictions on investments and trade. To do so business leaders recommend:

- **Create a global level playing field for commodities and raw materials.** By ensuring that the maximum number of viable players participate in physical markets, we enable an efficient allocation of capital to explore and develop new resources and reduce global supply-demand imbalances. To encourage participation, economic barriers to investment and trade need to be removed. Our recommendations are therefore to:
 - Remove and avoid barriers to investment and trade;
 - Ensure stable regulatory regimes (fiscal, environmental, social).
- **Use resources efficiently to reduce price pressure and ensure sustainability.** A large opportunity for reducing demand, and hence prices, lies in more efficient consumption of raw materials. Commodity producers and consumers are already focusing on eliminating waste from their production processes and are putting in place full life-cycle business models. This reduces consumption of both energy and materials, and maximizes recycling. Moreover this will maximally contribute to the sustainability efforts already ongoing in different commodities. The G20 should therefore:
 - Remove price subsidies;
 - Support large-scale innovation at every stage of a product's life cycle.
- **Increase market transparency and visibility by reinforcing global dialogue in appropriate international forums** (e.g., FAO, IEF, IRSG, etc.). Transparent and efficient markets improve capital allocation efficiency, as they provide better signals for investment and production. The third recommendation of the working group is to establish a global dialogue in recognized international forums aimed at increasing commodity market transparency. We would propose the G20 to:
 - Ensure timely information on supply, demand and storage flows;
 - Develop dialogue between producers and consumers, both governments and business.
- **Foster efficient and liquid markets.** A direct dialogue between stakeholders and a greater transparency of markets and market statistics can reduce both short- and long-term uncertainty, thereby combating volatility. The G20 should therefore:
 - Focus on market abuses while avoiding overregulation;
 - Prioritize ex-post control based on data accessible to regulators only.

V – DEVELOPMENT AND FOOD SECURITY

Key figures regarding development issues are appalling: 2.6 billion people lack basic sanitation facilities; More than 1 billion are hungry; More than 900 million do not have access to clean drinking water. In this context, the role of private sector becomes crucial to achieve the Millennium Development Goals (MDG) and business leaders make the following recommendations:

- **Set up food security as a global priority** – The private sector plays a central role in agri-food production systems and in reducing the impact of price volatility across the supply chain, while working to address broader issues of sustainability:
 - Improve functioning of markets to ensure stable and sustainable global food system. Coordinate agricultural policies at the global level, particularly focusing on export restrictions. This requires extensive improvement to policy and infrastructure, as well as increased transparency through improved data collection, sharing and monitoring;
 - **Improve productivity** by increasing investment from public and private sources by 50% by 2015. With these investments agricultural productivity should increase by 20% per decade in order to meet food and feed

demand. This increase of investments can be achieved by 1) fulfilling public-sector funding commitments and 2) by incentivizing private investment. Most important incentives will be to develop public-private partnerships at regional and national levels, and to scale-up effective risk management tools so as to accelerate responsible investment. A public-private working group should immediately start work to expand and apply risk management solutions (including innovative finance and affordable index-based insurance) in target countries;

- Integrate environmental sustainability into domestic food security policies. Water resource management and the expansion of sustainable sourcing practices to smallholder farmers should be an integral part of public-private collaboration;
- Enable affordable and easier technology transfer and capacity building from developed to developing countries in the area of food and nutritional security.

■ **Make infrastructure a strong enabler for development** – Increased investment from the private sector - promoted by governments when needed - in cost-effective, efficient and sustainable infrastructure is a clear enabler for economic growth and development:

- Strengthen Project preparation: design a model of a 'Well Prepared Project' (e.g., taking into account whole life-cycle cost analysis) and create conditions for successful PPP projects. Both entail strong local capacity building. The WPP concept clearly establishes the requirements for a successful project in terms of quality of the works as well as respect of budgets and schedules;
- Prioritize financing, project development and implementation, over an increase in ODA. The main challenge is to improve the relevance, quality and management of the projects to be implemented, and reduce the extent of divergences between contracts and their implementation;
- Change the way Multilateral Development Banks operate, notably to facilitate private sector's involvement in project development and implementation;
- Improve information flow, notably through an Infrastructure Attractiveness index managed by a public-private partnership;
- Encourage governments to engage a multi stakeholder dialogue in all phases of infrastructure planning, development and implementation to enable more cost-effective and efficient development of infrastructure that also addresses environmental and societal concerns.

■ **Make Corporate Social Responsibility a key element for growth and development:**

- Promote the adoption, on a voluntary basis, of CSR standards for businesses in developing countries, which will have a positive impact on development and promote competitiveness in developing countries;
- Create a public/private dialog to define economic, social and environmental guidelines at country level. The public and private sectors in any given country should be able to decide which aspect of development they want to prioritize;
- Encourage IFIs and bilateral development institutions or agencies to lead the way in the implementation of CSR standards. IFIs and bilateral development banks or agencies have an important role to define a sustainable level of CSR in connection with their infrastructure tenders.

VI - EMPLOYMENT AND SOCIAL DIMENSION

The crisis has emphasized two complementary issues that echo both national challenges and questions recently discussed in international organizations (e.g., ILO, IMF, World Bank). The first one, the economic challenge of growth,

refers to the issue of employment and job creation – notably for young people. The second issue, the inclusion challenge, entails mostly the current issue around the creation and reinforcement of social protection floors.

In order to address these issues, business leaders recommend:

- **Urgently increase efforts to promote a better functioning of the labor markets and stimulate job creation.** Reforms are a national responsibility, but the G20 has to be entrusted to set up a regular tracking - with a few key indicators to be determined in consultation with social partners, a sharing of practices and peer review exercises with the aim to:
 - Foster flexible forms of work which facilitate job creation, address different needs of companies and consumers, and combat informal work;
 - Promote skill transfers and mobility from a global perspective, notably by easing free movement of people within and between companies in the G20 countries;
 - Develop real and effective public-private cooperation and partnership to better match recruiting needs, accelerate job transitions through national employment agencies or private operators, and better identify and plan to meet labor markets demand, to enhance the employability of the workforce;
 - Specifically tackle young people difficulties on the labor markets, by welcoming and encouraging business to participate in the education and training process and raise its relevance, and improving the image of enterprise.
- **Reinforce the interaction between social protection and job creation through social protection floors.** The G20 must promote social inclusion and economic stability by advocating social protection floors along the lines of agreed conditions and principles which implementation belongs to national governments. Among these conditions, the B20 wants to raise awareness on 1) a wide definition of beneficiaries, 2) job oriented nets, 3) financial sustainability, 4) nationally financed schemes, and 5) consultation of social partners.
- **Promote ILO Tripartite Declaration for Multinational Companies** as a business contribution, including at the B20 level. This will contribute to the respect of fundamental principles and rights at work and widen the solutions for improved of working conditions and productivity.
- **Build more concrete coherence between international actions** through pilot projects between main international organizations having activities with social and economic issues. The G20 could agree that these pilot projects target voluntary countries or specific issues, both addressed in the programs of above mentioned international organizations.

VII - ANTI-CORRUPTION

Corruption is an intolerable impediment to the efficiency of the global economy, to fair competition among companies of all sizes and nationalities, and to sustainable global development. Failure to address corruption undermines the effectiveness of G20 efforts across its entire agenda. Business leaders welcome the Anti-Corruption Action Plan set out at the Seoul G20 meeting, as well as the invitation for a Public - Private Partnership to fight corruption based on complementary commitments by G20 Governments and the business community, which confront both the demand side and the supply side of corruption. As such, business leaders make the following top recommendations for action by governments and businesses to combat both the demand and supply sides of corruption:

- **Create a G20/ B20 joint platform**, supported by an explicit business commitment, accountable to G20 and B20 leaders to maintain an on-going multi-year dialogue.
- Building on the Seoul Action Plan, G20 Governments should (1) accelerate their commitment to ratify, **enforce and monitor the implementation of the OECD and UN conventions on anticorruption**, (2) **support the**

negotiation within the WTO of a multilateral agreement on standards for procedures and transparency in government procurement and (3) incentivize enterprises to establish effective policies and procedures to prevent corruption, and recognize public bodies and officials that demonstrate leadership in fighting corruption.

- **Business must also play its part.** Among other things, the B20 undertakes to identify and launch appropriate collective action processes to address problems linked to specific country or regional contexts and industry sectors. The B20 also will promote the sharing of best practices, training materials and resources: 1) among the various sector-specific initiatives; 2) with public sector entities implementing integrity programs to combat the demand side of corruption; and 3) with small and medium sized-entities lacking the experience and resources of multinational companies.
- **Business and government must work together** to raise awareness of the costs and risks of corruption, especially by promoting education on ethics and business integrity at all level of public and private education.

VIII - TRADE AND INVESTMENT

Trade and investment, closely linked to the creation of value and innovation in the industrial, commodities and services sectors, are an important source **of economic growth and job creation**, and remain therefore a top priority for businesses. The B20 regrets that “trade and investment” is not incorporated into the 2011 G20 official agenda, and calls for **a permanent dialogue between the G20 and the B20 on this important issue. Nonetheless, business leaders make the following recommendations:**

- **G20 to find a path for the WTO to pursue its core functions: trade liberalization & rule making** – Completing an ambitious Doha Round would have provided an important stimulus to global GDP and helped restore needed confidence in the rules-based multilateral trading system. However, given the likelihood that no progress on the main market access elements of the DDA will emerge in the near future, we urge the G20 leadership not to put the WTO system at risk and to develop a clear path forward in the WTO negotiations with the focus on the core tasks of the WTO, namely further trade liberalization and rule-making. The conclusion and the enforcement of the WTO agreements are the best way to counteract protectionist tendencies and to keep trade open and fair. By focusing on the possible and the practical in 2012, G20 leaders can provide a needed boost to the global economy and demonstrate the WTO's continued vitality and relevance.
- **Call on WTO to finalize a Trade Facilitation Agreement rapidly** and to develop its scope of negotiations **to boost global trade** – We call on the WTO to conclude the Trade facilitation negotiations, less politically sensitive, by the 2011 Ministerial conference. In addition, WTO should expand its agenda to achieve trade facilitation through enhancement of international logistics system. G20 countries must provide the leadership for global trade facilitation by adopting a common position in Cannes.
- **To accelerate the accession of Russia to the WTO to secure a truly global representation of a free trade agenda and to strengthen the multilateral trading system** – Russia remains the only G20 economy which is still not a member of WTO. Given the size of its economy and its importance as both a major exporter and one of the world's biggest markets for imports, it is important to secure its adherence to a multilateral trade system. With all major negotiations now completed, Russia and its WTO partners should make a concerted effort to complete the negotiations by the 2011 WTO Ministerial conference.
- **G20 to launch joint negotiations for a Framework agreement on investment** – The G20 must adopt a statement in favor of open investment as a tool for growth, development and job creation. The G20 support is essential in the current context: the unsustainable government budget deficits and their potential negative impact on the cross-border investment confidence. The G20, as a powerful political instrument, must open discussions in view of finding a common vision and approach to the issue, and launch an international framework agreement for investment access and protection. In our view, the WTO is the best option, among the International Organizations, to serve as the platform for cross-border investment rules/standards at the multilateral level.

IX – ICT AND INNOVATION

Four preliminary statements need to be kept in mind. 1) Innovation is critical for growth, employment and economic recovery; 2) ICT and Internet are key elements of Innovation; 3) Believe in multi stakeholders decisions (Governments and private sector playing in partnership) to sustain and expand Internet impact; 4) Innovation should remain a major topic of the next B20/G20 to encompass all other topics related to the acceleration and the spreading of innovation.

With these positions in mind, business leaders recommend:

- **Encourage the authorities to create stable and predictable regulatory frameworks to promote competition and investments** from private sector, complemented, when appropriate, by public initiatives, in fixed and mobile broadband and ultra-broadband and to support their usage, in order to accelerate the take up of Internet and its enabling effect on the next wave of economic growth, innovation, productivity and jobs.
- **Actively promote Internet usage for all in a sustainable manner to create economically and socially valuable ubiquitous new products and services:**
 - Encourage SMEs' use of technology and Internet to become efficient, competitive and innovative;
 - Deploy e-government services to set example and play a catalyst role;
 - Enhance cooperation to ensure the creation of the necessary infrastructures for cloud computing, enable their competitiveness, maintain interoperability of standards and technology, recognize intellectual property right protection, ensure trans-border data flow, information security and the privacy protection of citizens;
 - Promote access and re-use of public sector information, in accordance with privacy rules, making it available for individuals and business.
- **Promote harmonization in the field of privacy protection**, in order to guarantee a level playing field amongst players and to create the needed trust.
- **Ensure Internet governance arrangements are multi-stakeholder**, provide for the open, transparent and full participation of all stakeholders and foster the dialogue driven by industries while avoiding creating a new inefficient bureaucracy. The objective should be to ensure the harmonization of rules at a global level to create trust and promote innovation and development, in particular:
 - Fight against cyber criminality – global cooperation would indeed be more effective than imposing filtering on citizens and businesses;
 - Improve harmonization of intellectual property rules and international cooperation to reduce the cost of intellectual property (patents, copyrights, trade secrets).

X – GLOBAL GOVERNANCE

Emerging global challenges have reinforced the need for global cooperation on legislative and regulatory frameworks. Recent developments have demonstrated that, without coordinated action between governments around the world, it is not possible to come up with effective and efficient solutions. Businesses from the G20 countries have organized themselves in order to contribute to the international discussions. As national and international economic actors, we wish to positively influence the evolution of the framework for global governance, and therefore recommend to:

■ **Improve the global co-operation:**

- The G20 should undertake a mapping exercise of the current architecture for global governance, and identify where there are gaps to be filled, overlaps to be eliminated by revising organizational remits, or new channels of dialogue that need to be set up;
- The B20, through its twelve thematic working groups, will provide to the G20 a table of areas in which we believe gaps in the global governance framework are causing policy failure.

■ **Improve the G20 transparency and consistency of outcomes:**

- The G20 should take immediate steps to increase its transparency to the external world. Centralized functions, e.g., a single website giving both background on the G20 and up-to-date information on current work flows, are necessary, and will bring coherence and continuity to the G20 work through the years, under the successive presidencies;
- The G20 should take steps to ensure targets and policies agreed at G20 level are then followed through by individual governments. This should be part of the thinking of any recommendations on the new global governance, and how it is delivered. Publishing a progress report on agreements reached before each Summit would add to the accountability of this process.

■ **Improve the business input to the G20 and the International Organizations' work:**

- The G20 should continue to develop an effective dialogue with the global business community, by committing to systematic interactions with the B20 during the Summit, but also during the preparatory period. Representative business federations should be involved in the consultation process from the beginning, including consultation on G20 priorities and agendas;
- The G20 should encourage International Organizations to revise their relations with business representatives. A better participation of businesses in the International Organizations' discussions and decision making process would ensure a better stakeholders' engagement and more transparency in the Organizations' work;
- The G20 should promote a multi-stakeholder approach (including the private sector, relevant technical communities and broader civil society) for emerging global issues, such as energy supply, or internet. This would allow a transparent debate; involve responsible stakeholders in the decisions to be taken; and ensure their commitment to the implementation of those decisions.

XI – ENERGY

Energy and industrial actors are facing unprecedented challenges. The drawn-out recovery period has consequences for the G20 countries, and economic and fiscal policies will affect the way energy supply and demand evolve. A well-balanced energy mix is one of the main conditions of global economic growth, and no source alone can address today's growing energy needs. It is imperative to develop strong incentives to promote energy efficiency, technology neutral threshold standards for generation technology, public R&D support for new energy technologies, support for expanded mechanisms, rely on scientifically-based metrics on the performance of energy sources and a consistent long-term framework for reducing energy-related carbon emissions.

The top priorities are: 1) To ensure a competitive and secure energy supply; 2) To foster technology development, both at R&D and deployment stages; 3) To reach environmental and climate objectives; 4) To diversify the energy mix. Business leaders therefore make the following recommendations:

■ **Develop incentives to encourage deployment of energy efficiency, e.g.,**

- Incentivize utilities to promote energy savings through efficiency measures and treat it as a generating resource ('negawatts');
 - Foster active control systems (smart grids, control displays, smart metering, speed drives in industry, energy management systems, intelligent energy storage, etc.);
 - Radically cut energy consumption in the building sector with a real transformation in design, technology use and behavior change and resolve misaligned incentives (e.g., landlord / tenant misalignment) which discourage energy efficiency investments;
 - Transfer energy-efficient and innovative green technologies from industrialized to developing countries by including energy efficiency and all energy technologies contributing to access to low-carbon energy in Clean Development Mechanisms, in compliance with industrial property rights.
- **Make sure that the regulatory framework does not prevent the implementation of new or existing energy projects and technologies, e.g.,**
- Continue research programs for non-conventional hydrocarbon resources while enabling sufficient investment in scientific R&D, to ensure that the development of these resources can proceed with environmental safeguards;
 - Strengthen dialogue between producing and consuming countries by a greater use of the existing international forums including G20, IEA, OPEC; leading in the implementation of the Joint Oil Data Initiative and introduce another specific global information-sharing mechanism covering production, consumption and storage;
 - Harmonize nuclear safety standards in order to help enhance the public understanding of the instrumental role played by nuclear.
- **Establish genuine market mechanisms to encourage investments and facilitate access to energy in developing countries, e.g.,**
- Ensure that all energy technologies are eligible to Clean Development Mechanisms;
 - Introduce an energy market framework in these countries to incentivize the provision of energy services and introduce appropriate national action plans to accelerate the provision of modern energy services on a universal basis; integrate low-carbon energy sector plans into Nationally Appropriate Mitigation Actions (NAMAs).

XII - GREEN GROWTH

Greening the economy and **growing** the economy are mutually reinforcing objectives. Green growth will provide a sustainable basis for long-term and resource-efficient growth. It has the potential to create jobs and new business models. To do this, policymakers must strike a new balance between incentives and disincentives for green investments and foster market conditions to enable companies to forge innovative and profitable solutions.

Demonstrating continuity and building on the 2010 B20 report, the B20 therefore makes the following recommendations:

- **Allow free trade in green goods and services.** Eliminating tariff and non-tariff trade barriers will accelerate diffusion of green technologies, increase economies of scale, lower prices, encourage competition and innovation, and result in faster job creation. To do so the B20 recommends to:
- Reduce tariff revenues on green goods/services by an aggregate of at least 50 %;
 - Refrain from introducing other tariff and non-tariff barriers.

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- **Achieve a robust price on carbon and enhance flexible offset mechanisms.** Market mechanisms and other forms of carbon pricing are the foundation on which a truly successful green economic transformation must be built. To do so the B20 recommends to:
 - Expand domestic carbon pricing mechanisms and strengthen international carbon pricing counterparts such as CDM, REDD+, and climate finance models;
 - Harness the income of these mechanisms to support investment in green technologies.
- **End fossil fuel subsidies.** G20 leaders have already committed to phasing out over the “medium term” inefficient fossil fuel subsidies. While this is an important start, we believe faster and broader action is required to drive resource efficiency, given the economic and environmental benefits. To do so the B20 recommends to:
 - Comprehensively measure fossil fuel subsidies and assess the fiscal benefits of their elimination, and report results to the next G20 Summit in Mexico;
 - Eliminate these subsidies within the next five years.
- **Scale up support for green technology R&D and innovation.** Research, development and scale-up finance for clean energy, transport and sustainable, high-productivity agriculture is a critical factor in accelerating the green economic transformation to which we aspire. To do so the B20 recommends to:
 - Ratchet up G20 public spending on green growth related science, technology and innovation;
 - Create or expand domestic mechanisms to leverage public finance.
- **Make green growth a standing item on the G20 agenda for the next three to five years:**
 - Develop a Green Growth Action Plan for the Mexico G20 summit in which leaders task ministerial working groups to develop cooperative initiatives for consideration at the 2012 G20 summit. The Action Plan should include policy recommendations addressing key elements in national green growth plans, including research & development and innovation; key industrial sectors (transport, energy, industry, agriculture); and consumer engagement;
 - Establish a public-private G20 Green Growth Partnership Network to support the Action Plan by documenting and sharing successful case studies and experiences.