

# INTERNATIONAL CHAMBER OF COMMERCE G20 BUSINESS SCORECARD

June 2012



International Chamber of Commerce

*The world business organization*



### **About the G20 Advisory Group**

The ICC G20 Advisory Group, an initiative of the International Chamber of Commerce (ICC), is a platform for global business to provide input to the work of the G20 on an ongoing basis. The Group mobilizes ICC's worldwide policy-making expertise and solicits priorities and recommendations from companies and business organizations of all sizes and in all regions of the world.

### **About the International Chamber of Commerce**

ICC is the world business organization, a representative body that speaks with authority on behalf of enterprises from all sectors in every part of the world. The fundamental mission of ICC is to promote cross-border trade and investment and the multilateral trading system, and to help business meet the challenges and opportunities of globalization. Business leaders and experts drawn from ICC's global membership establish the business stance on broad issues of trade and investment policy, as well as on vital technical subjects. ICC works closely with the United Nations, the G20, and other intergovernmental organizations including the World Trade Organization. ICC was founded in 1919. Today, it groups hundreds of thousands of member companies and associations from 120 countries. For more information please visit: [www.iccwbo.org/g20](http://www.iccwbo.org/g20)



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# Executive Summary

## The scorecard: towards balanced and reliable measurement

The *ICC G20 Business Scorecard* compares global business recommendations with G20 commitments and directives conveyed in Summit Declarations since Washington.

The purpose of the *Scorecard* is to generate a balanced and reliable measurement of the G20's performance in response to business recommendations that have been put forward to Heads of Government. The listing of recommendations and responses by category, along with the indicative scoring, is intended to provide an effective way to concentrate attention on the need to track performance and monitor progress over time.

The results of the *Scorecard* serve three purposes:

- Government authorities with better information on how their actions are interpreted by the business community are better able to establish priorities, honour commitments, gauge their own progress over time and identify deficiencies that deserve greater attention.
- Business leaders with better information on whether the G20 has recognized business input and how it has carried through on specific business recommendations are better able to tailor forthcoming recommendations and engagement with the G20—and with national governments and intergovernmental organizations tasked with implementing G20 commitments.
- Government and business leaders with a crisp and tangible summary of accomplishments and shortcomings can more effectively chart a roadmap for improvement and next steps and more efficiently deploy actions and resources.

## Overall score

The overall G20 score across 54 business recommendations<sup>1</sup> in the four policy groups evaluated here is **Incomplete**.

This score is perhaps somewhat intuitive given the protracted nature of global policymaking and the limited time for appreciation of and response to business contributions into the process.

Overview of all topics	Score
(1) Trade and Investment	Incomplete (1.0)
(2) Green Growth	Incomplete (1.4)
(3) Transparency and Anti-Corruption	Incomplete (1.0)
(4) Financing for Growth & Development	Progress (2.0)
Overall Score	<b>Incomplete (1.4)</b>

As an overall average, this score masks the outlying high scores that the G20 has achieved by policy area such as encouraging the favourable treatment of trade finance, promoting energy efficiency and advancing the climate change agenda, reinforcing global anti-corruption mechanisms and shepherding the production of tangible tools to create enabling SME policy environments. However, this works both ways, concealing 8 “insufficient” scores at the level of policy areas.

By definition, the *ICC G20 Scorecard* is “a policy tool to identify deficiencies that merit greater attention.” In this light, the overall score reveals that marginal new achievements in Financing for Growth & Development (e.g., promoting the value of Intellectual Property) and in Green Growth (e.g., promoting free trade in environmental goods and services) could result in a score upgrade. Likewise, G20 advances to break the stalemate in WTO negotiations or to build a multilateral framework for investment would be reflected in a significantly higher score.

<sup>1</sup>T&I (16); GG (19); T&AC (7); FG&D (12).

In summary, the overall score suggests that the G20 is responding to the calls of business. Still, additional time, a more comprehensive work program, and greater global cooperation are necessary to address considerable remaining challenges.

Finally, while a scoring system may be seen as a criticism, ICC is not critical of the G20. On the contrary, ICC recognizes and appreciates the G20's significant achievements in guiding the global economy out of the recent economic crisis.

## G20 score on Trade and Investment

Despite the importance of trade and investment to the global economic recovery, and while noting that progress has been made in some areas, the overall score for the global business assessment of G20 outcomes on trade and investment is **INCOMPLETE**.

The central theme of businesses' recommendations is the urgent need to advance the multilateral trade agenda. The current Doha Round stalemate—now in its 11th year—constrains the effectiveness of the WTO and its ability to advance multilateral trade liberalization. Without progress on multilateral trade negotiations there can be no advancement on key business issues, such as a WTO agreement on trade facilitation. Similarly, the business community has repeatedly urged the G20 to adopt a statement in favour of open investment as a tool for growth and to make trade and investment a permanent item on the G20's agenda.

Summary of G20 Response to Business Recommendations

Trade and Investment	Score
<b>1.A</b> – Achieve progress on WTO/Doha Round	Incomplete
<b>1.B</b> – Framework agreement on investment	Insufficient
<b>1.C</b> – Establish public-private task force	Incomplete
<b>1.D</b> – Roll back protectionism	Incomplete
<b>1.E</b> – Make trade and investment a permanent item on the G20 agenda	Insufficient
<b>1.F</b> – Impact of Basel III on Trade finance	Progress
<b>1.G</b> – Support FDI	Insufficient
<b>1.H</b> – Russian accession to the WTO	Pass
<b>1.I</b> – Trade facilitation agreement	Incomplete
<b>Overall Score</b>	<b>INCOMPLETE (1.0)</b>

### Scoring component highlights:

- Although the G20 has consistently emphasized the importance of completing the Doha Round, it has not proposed a path for the WTO to pursue its core functions of trade liberalization and rule making.
- None of the G20 Summit declarations contains language supporting a framework agreement on investment. So far, the G20 has not integrated trade and investment into its overall structure.
- The G20 has neither emphasized the role of trade as a tool for economic growth, nor supported the creation of a specific public-private task force to help facilitate business actions.
- The Standstill Provision is a cornerstone of the G20's trade and investment agenda. Despite G20 leaders' consistent pledge to roll back protectionist trade measures, several international monitoring reports show that members are not adhering to their commitments. The trend suggests an overall rising tide of protectionism.
- The BCBS decision to reduce capital requirements for some types of trade finance exposure reflects the global business recommendation to give trade finance favourable treatment under the Basel III Framework.
- The business community's call for G20 action on FDI has not been taken up. G20 leadership on investment is essential given its contribution to jobs and growth.

- Russia's accession to the World Trade Organization is an important milestone that will benefit global trade.
- The G20 has repeatedly expressed support for trade facilitation, albeit without explicitly mentioning the need for a WTO trade facilitation agreement.

## G20 score on Green Growth

The overall score for the global business assessment of G20 commitments and directives on Green Growth is **INCOMPLETE**. This score indicates that G20 leaders have recognized and made good progress on the priorities expressed by the global business community, but that several recommendations still remain unaddressed.

Calls on the G20 to focus on energy efficiency and market-based carbon pricing are particularly recurrent. Recommendations for G20 leaders to phase out fossil fuel subsidies and promote free trade in environmental goods and services are also repeated topics, indicating the importance attributed to these issues by the business community.

Summary of G20 Response to Business Recommendations

Green Growth	Score
<b>2.A</b> – Energy efficiency	Pass
<b>2.B</b> – Carbon pricing	Progress
<b>2.C</b> – Fossil fuel subsidies	Progress
<b>2.D</b> – Trade in green goods & services	Insufficient
<b>2.E</b> – Reduce trade distortions	Insufficient
<b>2.F</b> – Advance UNFCCC agreements	Progress
<b>2.G</b> – Measure environmental footprints	Progress
<b>2.H</b> – Energy Ministerials	Insufficient
<b>2.I</b> – Universal access to energy	Progress
<b>Overall Score</b>	<b>INCOMPLETE (1.4)</b>

## Scoring component highlights:

- Energy efficiency has been a continuing theme of the G20's green growth agenda. Leaders have made commitments, requested, received and endorsed reports by the IEA on energy and energy efficiency technology deployment.
- G20 governments are commended for strengthening the existing market mechanisms at the Durban climate conference. The inclusion of CCS in the Clean Development Mechanism is a milestone decision, formally recognizing this technology and allowing potential projects in the developing world to issue and sell carbon credits for the carbon emissions they capture and store. A number of G20 countries have progressed domestic policies which will put a price on carbon.
- The G20 has continuously pressed forward, making measurable progress on its Pittsburgh and Toronto commitments to phase out fossil fuel subsidies. Leaders have maintained the fossil-fuel subsidy reform issue on the G20 agenda; delegated reporting functions to intergovernmental organizations; and followed up on their energy and finance ministers' recommendations.
- The G20 has not responded to the business community's call on establishing free trade in environmental goods and services, although many G20 countries via APEC have started a process.
- Although the Cannes commitment to strengthen the WTO system is significant, the current impasse on the Doha Round compromises the WTO's ability to make progress on new challenges, such as trade in green goods.
- Furthermore, G20 leaders have not recognized the importance of IPR at any of the G20 Summits. This is unfortunate, as strong IPRs are fundamental for growth creation, particularly in stimulating R&D in new techniques like clean energy.



- The outcome of the Durban climate conference was a diplomatic achievement in many regards, creating the first roadmap for all countries to sign a new legally binding climate change treaty. G20 leaders must carry on the momentum from Durban. Slow progress in delivering on the elements of the Durban platform will hamper the opportunity to catalyze the private sector investment, ultimately delaying or even foregoing a critical means of climate finance.
- Common clean energy and energy efficiency standards are invaluable tools for measuring and benchmarking actual progress. The G20's request, and subsequent delivery, of a monitoring report by the IEA ensures that these issues continue to receive focus.
- The G20 has not acted on the global business community's recommendation to mandate its energy ministers to meet regularly.
- By highlighting the UN's *Sustainable Energy for All* initiative, G20 leaders have acknowledged the importance of universal access to energy. The G20 has also focused on how to stimulate private sector investments in clean energy, asking a number of international organizations to provide climate finance reports for the Cannes Summit.

## G20 score on Transparency and Anti-Corruption

The overall score for the global business assessment of G20 commitments and directives on Transparency and Anti-Corruption is **INCOMPLETE**.

The G20 leaders' continued commitment to address corruption is duly recognized and highly endorsed. The G20 has been successful in reinforcing global anti-corruption mechanisms. Nevertheless, more decisive steps can—and should—be taken. The fight against corruption

requires that countries have effective legal and institutional frameworks in place to ensure a level playing field. The UNCAC is particularly important for business because it has the potential for a truly global scope in curbing corruption and creating a level playing field for all participants in the global economy. The business community has therefore been adamant in its call for ratification by all G20 countries. The business community will continue to press G20 governments to ratify, enforce and monitor the implementation of the UNCAC and to continue their involvement in OECD's Anti-Bribery Convention.

Calls for further and closer cooperation between the public and private sectors have also been recurring, particularly in raising awareness of the societal cost of corruption and supporting private sector-driven initiatives. Business has also pushed for the creation of global standards requiring transparency procedures in government procurement.

Summary of G20 Response to Business Recommendations

Transparency and Anti-Corruption	Score
<b>3.A</b> – UNCAC and OECD Convention	Incomplete
<b>3.B</b> – Reporting mechanisms	Incomplete
<b>3.C</b> – Government procurement within the WTO	Insufficient
<b>3.D</b> – G20/B20 joint platform	Progress
<b>3.E</b> – Recognize public bodies and officials	Incomplete
<b>Overall Score</b>	<b>INCOMPLETE (1.0)</b>

### Scoring component highlights:

- It is disappointing to see that despite being on the G20 leaders' agenda since the 2009 Pittsburgh Summit, not all G20 countries have ratified the UNCAC. That the remaining countries have not committed to any specific deadlines for ratification is perhaps even more disquieting. These shortcomings undermine the G20's global leadership in this area.
- To date, the G20 has not specifically endorsed the creation of reporting mechanisms. Results of the first AWG's (G20 Anti-corruption working group) *Monitoring Report* show some action, as well as further potential.



- The G20 has recognized businesses' call for governments and businesses to work together on raising awareness of the need to fight corruption. The business community has a shared responsibility in achieving this common goal and is meeting its part. The G20 must provide additional support, however, to encourage enterprises to establish and enforce corruption prevention policies.
- The G20 has recognized the pivotal role of the private sector in the fight against corruption and is living up to its commitment to encourage public-private partnerships.

## G20 score on Financing for Growth and Development

The overall score for the global business assessment of G20 commitments and directives on Financing for Growth and Development is **PROGRESS**.

In particular, the work done by the GPFI and its Sub-Groups to raise awareness and attract more financing to SMEs is praiseworthy. Equally commendable are the comprehensive reports, which provide a range of policy recommendations and best practices for governments and business alike. The business community has repeatedly asked the G20 to explore innovative distribution channels, including supporting digital marketplaces and establishing modern communication networks to address the needs of the "unbanked"—amounting to more than two billion people who have no access to financial institutions. The private sector encourages the GPFI to intensify efforts, adding to its two-years of work in this area. Although progress so far in the implementation of the *Financial Inclusion Action Plan* has been impressive, now is the time to start producing tangible results.

### Summary of G20 Response to Business Recommendations

Financing for Growth and Development	Score
4.A – Capital frameworks' impact on trade finance and SMEs	Progress
4.B – Policy Environment	Pass
4.C – SME finance	Pass
4.D – Promote the value of Intellectual Property	Insufficient
4.E – Create an enabling legal, regulatory and financial framework	Progress
<b>Overall Score</b>	<b>PROGRESS (2.0)</b>

### Scoring component highlights:

- The Seoul Summit's call to evaluate the impact of regulatory regimes on trade finance—and the subsequent BCBS decision to reduce capital requirements for some types of trade finance exposure—corresponds to the global business recommendation to give trade finance favourable treatment under the Basel III Framework. Similarly, the GPFI's review of the Basel Frameworks effects on SME finance is commendable; however, additional work should be undertaken to ensure that increased capital requirements under Basel III do not unjustly burden SMEs' access to finance.
- The G20 has, through FIEG work and current GPFI initiatives, heightened awareness of the importance of creating enabling SME policy environments. In particular, the SME Finance Sub-Group's comprehensive *SME Finance Policy Guide* provides governments and businesses alike with a wide range of options and recommendations for increasing SME's access to finance. Similarly, the Sub-Group's efforts in raising awareness and the importance of SME finance/financial inclusion among policy makers and global standard-setting bodies, ensure that these issues remain on the global agenda.
- The issue of Intellectual Property (IP)—a cornerstone of mobile banking and other new technologies to reach the unbanked—is noticeably absent.
- The G20 Financial Inclusion Action Plan recognizes the business community's call for the creation of an enabling legal, regulatory and financial framework that supports SMEs. The GPFI's reports, which identify best practices and support further development, are important steps and create valuable tools for governments interested in advancing their financial inclusion agenda.

## Conclusions

- ICC has developed the *ICC Scorecard* as a means to compare global business recommendations with G20 commitments and directives conveyed in Summit Declarations since Washington. The overall G20 score across 54 business recommendations<sup>2</sup> in the four policy groups evaluated here is “Incomplete.”

Overview of all topics	Score
(1) Trade and Investment	Incomplete (1.0)
(2) Green Growth	Incomplete (1.4)
(3) Transparency and Anti-Corruption	Incomplete (1.0)
(4) Financing for Growth & Development	Progress (2.0)
<b>Overall Score</b>	<b>Incomplete (1.4)</b>

- This score is perhaps somewhat intuitive given the protracted nature of global policymaking and the limited time for appreciation of and response to business contributions. As an overall average, this score masks the outlying high scores that the G20 has achieved in the various policy areas, such as encouraging the favourable treatment of trade finance, promoting energy efficiency and advancing the climate change agenda, reinforcing global anti-corruption mechanisms and shepherding the production of tangible tools to create enabling SME policy environments. However, this works both ways, concealing 8 “insufficient” scores at the level of policy areas. By definition, the *ICC G20 Scorecard* is “a policy tool to identify deficiencies that merit greater attention.” In this light, the overall score reveals that marginal new achievements in Financing for Growth & Development (e.g., promoting the value of Intellectual Property) and in Green Growth (e.g., promoting free trade in environmental goods and services) could result in a score upgrade. Likewise, G20 leadership to break the stalemate in WTO negotiations or to build a multilateral framework for investment would be reflected in a significantly higher score.
- In summary, the overall score suggests that the G20 is responding to the calls of business, but that additional time, a broader and more comprehensive work programme, and greater global cooperation are necessary to address the considerable challenges that remain.
- The purpose of the *Scorecard* is to generate a balanced and reliable measurement of the G20’s performance in response to business recommendations that have been put forward to Heads of Government. The listing of recommendations and responses per issue area, along with the indicative scoring, is intended to provide an effective way to concentrate attention on the need to track performance and monitor progress over time. The results of the *Scorecard* serve three purposes:
  - Government authorities with better information on how their actions are interpreted by the business community are better able to establish priorities, honour commitments, gauge their own progress over time and identify deficiencies that deserve greater attention.
  - Business leaders with better information on whether the G20 has recognized business input and how it has carried through on specific business recommendations are better able to tailor forthcoming recommendations and engagement with the G20—and with national governments and intergovernmental organizations tasked with implementing G20 commitments.
  - Government and business leaders with a crisp and tangible summary of accomplishments and shortcomings can more effectively chart a roadmap for improvement and next steps and more efficiently deploy actions and resources.

<sup>2</sup>T&I (16); GG (19); T&AC (7); FG&D (12).

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- The Scorecard is part of the ICC's overall agenda to establish an enduring, legitimate voice of global business and to target G20 policy development on a global scale. It is a framework by which ICC monitors G20 actions and commitments, as well as its response to business recommendations. ICC recognizes that this first edition of the Scorecard is a snapshot of progress at this point, and that there is more work to be done and additional areas to address. The Scorecard is envisioned to be a living document that evolves and with G20 developments. Subsequent Scorecard editions will refine the process for identifying deficiencies; provide guidance for improvement and action; and monitor progress from Summit to Summit.
  - Finally, while a scoring system may be seen as a criticism, ICC is not critical of the G20. On the contrary, ICC recognizes and appreciates the G20's significant achievements in guiding the global economy out of the recent economic crisis. In this vein, ICC draws from the May 2012 assessment of the G20 by Matthew Goodman of the Center for Strategic International Studies: *"The G20 has established itself as a credible forum for crisis response, and it is important to keep [this system on the ready]. And while the dramatic gains of its early days have not been repeated, the G20 has continued to make meaningful, if incremental, progress toward building the foundations of strong and balanced global growth, strengthening the financial system, and redistributing 'shares and chairs' in international financial institutions. It has also had important wins on issues outside the core agenda—for example, reinforcing global anti-corruption mechanisms and encouraging a phase-out of wasteful fossil-fuel subsidies. Third, the G20 has brought a new set of players—notably, large emerging markets such as China, India, and Brazil—into the 'boardroom' of global economic governance. Just as the original G8 members have refined their skills of international leadership through more than 35 years of practice, so too can the G20 extend the 'habits of cooperation' so essential to an interconnected global economy."*

# Chapter 1: Introduction

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## **G20: Steering group for the global economy**

In 2008, 20 heads of state and government decided to take over the reins of a collapsing world economy and rebuild the foundations of the global governance system. The Group of Twenty (G20), bringing together a broad base of leading industrialized economies, has now emerged as the highest-level policy forum for international economic cooperation.

In today's interdependent world, increased dialogue among governments is vital to foster a better understanding of the economic interactions among nations. Serving as the "steering group" for the global economy, the G20 is demonstrating that stronger intergovernmental cooperation can transcend national boundaries and tackle major challenges that governments cannot resolve on their own. The big issues of today—including climate change, food and energy security, water scarcity, and long-term economic stability—all require global solutions that can be devised only through the collective engagement of all countries.

Not surprisingly, the G20 agenda manifestly bears upon core business goals for trade, economic growth and job creation and will increasingly shape the policy direction and programs of multilateral and intergovernmental organizations that impact business and commerce.

## **Business engagement: a prerequisite for success**

Business has a clear stake in the success of the G20. As everyday practitioners of the global economy, companies are set to play an increasingly influential role in G20 action. These companies share in the vision to foster economic growth; promote open trade and investment; build a more stable financial system; improve the environment for doing business; and facilitate the transition towards a low-carbon economy. With its mixed membership of advanced and emerging economies, the G20 is in a powerful position to shape the rules of engagement for competing in global markets.

The importance of business engagement is accurately presented by Korean President Lee Myung-bak, who ushered in a new era for direct business-to-government communications through establishment of the Seoul G20 Business Summit in 2010. In doing so, he stated the following: "Participation from business will reinforce the positive outcome from the official summit, and highlight the vitality that can only be provided by the private sector to further enhance the G20 as an effective forum for promoting global prosperity."

In this context, the work of the G20 is a natural focal point for ICC's unique international policy stewardship—helping government leaders make complex decisions affecting global welfare. In response, ICC has established the *ICC G20 Advisory Group* composed of business leaders committed to developing policy recommendations; introducing innovative approaches; and pressing for the inclusion of business views in the deliberations by G20 Heads of State.

## **Development of business policy recommendations**

ICC's principal objective with the G20 is to develop constructive policy recommendations on key issues from a world business perspective. ICC's policy input derives from the guidance of the ICC G20 Advisory Group and the expertise of ICC's 12 standing policy commissions. It relies on its long experience in building broad consensus among the world business community on complicated policy issues. Finally, a global and inclusive consultative process involves input from business organizations of all sizes and regions worldwide.

This work has been integrated into the policy development efforts of various working groups and task forces that have been formed to draft policy recommendations prior to the G20 Business Summits,

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starting with and continuing from Seoul. For each Summit, business has been invited by the host government to contribute to policy development. Currently, ICC, the World Economic Forum, and principal host-nation business associations are working collaboratively to canvas business input into the policy development process and convey the broad range of global business views.

The business recommendations compiled and evaluated here are derived from ICC G20 Advisory Group (ICC G20AG) document *Policy recommendations for consideration by G20 officials*, as well as the final Seoul and Cannes G20 Business Summit Working Group reports. For delineation purposes, only “key” business recommendations have been included, i.e., those listed under the Executive Summary section in the Seoul G20 Business Summit report and those indicated as Specific Recommendations in the Cannes Report. Additional recommendations, proposals and considerations developed by the G20 Business Summit Working Groups are not included in this assessment.

## **The scorecard: towards balanced and reliable measurement**

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- Government and business leaders with a crisp and tangible summary of accomplishments and shortcomings can more effectively chart a roadmap for improvement and next steps and more efficiently deploy actions and resources.

## **Scope and methodology**

### **Scope**

Beginning with the Seoul G20 Business Summit, the spectrum of subject areas for which business has supplied views and recommendations is wide, numbering over 20 policy groupings including: trade, investment, financial sector reform, infrastructure and natural resource finance, nurturing SMEs, energy efficiency, green jobs, health care, commodities and raw materials, food security, employment, ICT and innovation, energy, green growth, anti-corruption, and financing for growth and development. Some of these issues have been on the G20’s rolling agenda (e.g., anti-corruption), while others have been put forward by business for G20 consideration and inclusion (e.g., ICT and innovation).

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In this first edition of the *Scorecard*, ICC has focused on four policy areas:

1. trade and investment
2. green growth
3. anti-corruption
4. financing for growth and development

These policy areas were selected for the following reasons: (i) they are among ICC's current policy focus and are the subject of one or more of ICC's standing policy commissions; (ii) ICC has supplied specific policy recommendations, either uniquely or in collaboration with G20 Business Summit working groups; and (iii) they have been on the G20's agenda long enough to measure performance and progress. Finally, each is among the topic areas business has highlighted for the June 2012 Los Cabos Business Summit.

ICC recognizes that there are many other policy areas that are not covered in this first edition of the *Scorecard*, but which are of interest to the global business community. These include food security and employment, where the G20 has made some progress in responding to recommendations from the business community. Business recommendations on ICT and innovation also are not covered, as they were first introduced at the Cannes Business Summit in November 2011—leaving insufficient time for an evaluation of G20's work in this area.

Notably, only a limited number of the G20's "core" work programme issues, for example, addressing the macro-economic policy coordination, financial regulation and IFI reform, have been addressed here. This is largely due to: (i) the government-to-government nature of this work; (ii) ICC's policy grounding in the four policy areas outlined above; and (iii) the limitations of time for producing this first edition.

## Methodology

Here it is important to note that the *Scorecard* assesses the G20 as a *whole*, evaluating its collective actions, commitments and directives. As such, individual actions by member countries are not considered for the score. Examples from G20 members may be highlighted, however, to illustrate general action and progress. Likewise, the *Scorecard* does not evaluate G20 performance on the basis of whether the "end goal" is achieved. Rather, it evaluates G20 recognition of the issue, then assesses G20 actions as a body, followed by an assessment of its responsiveness to business recommendations. As such, the *Scorecard* recognizes that the G20 is one of many intergovernmental entities tackling global economic issues. Consequently, the *Scorecard*'s implicit bottom line is an assessment of whether the G20 is listening to business and whether the G20, as a collective body, is following through on its decisions.

The *ICC G20 Business Scorecard* evaluates the G20's response to business recommendations based on three criteria:

- 1. Recognition** – If the G20 has recognized/addressed an issue raised by business, either actively (i.e., leaders have referred to the issue in a Summit Declaration) or passively (i.e., referencing the work of others or supporting initiatives that, in turn, focus on the issue).
- 2. Action** – If the G20 has taken action (e.g., set a goal, created a Task Force, called on an IGO to act, requested a report, etc.); and
- 3. Adequacy** – If the G20's response/action is adequate in addressing business concerns.

For each criterion that has been met, a numerical point has been assigned (for a total of 3 points). Each category assigned is then awarded a score based on the total amount of points received. The overall score is an average score based on the responsiveness to all business recommendations.

An “Insufficient” score indicates that the G20 has not addressed the issue at all. An “Incomplete” score signifies that the G20 has, at minimum, taken notice of the subject, with little or no action taken in response. A “Progress” score illustrates that the G20 has acted in line with the business recommendation and is well on its way to tackling the issue. “Pass” means that the G20 has effectively and satisfactorily addressed the business recommendation.

Points	Score
0	Insufficient
1	Incomplete
2	Progress
3	Pass

Notably, we have not differentiated the weights among recommendations in this first edition. Referencing the section on trade and investment, for example, G20 progress in the area of trade finance is appreciably more significant than the lack of progress on establishing public-private partnerships, though both carry the same weight in the scoring.

## Scoring

Drawing again from its definition, the *ICC G20 Scorecard* aims to “provide guidance for action and improvement, and monitor progress from Summit to Summit.” To deliver on this objective, the *Scorecard* presents categorical scores and scores on responsiveness to specific recommendations (or small subgroups of similar recommendations) under four categories: trade and investment; green growth; anti-corruption; and financing for growth and development.

Drawing again from its definition, the *ICC G20 Scorecard* aims to “provide guidance for action and improvement, and monitor progress from Summit to Summit.” To deliver on this objective, a more robust treatment of G20 responsiveness to specific recommendations is presented below in four policy categories. A much deeper assessment of each category and specific recommendation are presented in Chapters 2-5 on the following pages.



# Chapter 2: Trade and Investment

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## Introduction

The financial crisis' dramatic impact on global trade—with the sharpest decline in trade flows in almost 70 years—was a key catalyst for the first G20 Summit in Washington, DC, in November 2008. Stressing the critical importance of rejecting protectionism and not turning inward in times of financial uncertainty, leaders emphasized the importance of open trade and investment and committed to “refrain from raising new barriers to investment or to trade in goods and services, imposing new export restrictions, or implementing WTO-inconsistent measures to stimulate exports.” This commitment, known later as the Standstill Provision, would be reiterated at all subsequent G20 Summits, with leaders at the 2011 Cannes Summit extending the standstill until the end of 2013.

The Washington Summit's commitment to reach a successful conclusion of the Doha Development Agenda would similarly become a recurring G20 commitment. Leaders at the 2009 London Summit stated that a conclusion of the Doha Round was “urgently needed.” In Pittsburgh, they expressed a determination to “seek an ambitious and balanced conclusion to the Doha Development Round in 2010.” Subsequent Summits included similar language, although they did not explicitly commit to any specific deadline. By the Cannes Summit, leaders recognized the lack of progress and expressed a need to pursue a new and credible approach.

In response to the unprecedented limits on access to trade finance in the wake of the 2008-09 financial crisis, G20 leaders at the London Summit committed to take “whatever steps we can to promote and facilitate trade and investment, and we will ensure availability of at least \$250 billion over the next two years to support trade finance through our export credit and investment agencies and through the [multilateral development banks].” The G20 continued at the Toronto and Seoul Summits to support measures to increase the availability of trade finance in developing countries, particularly low-income countries. It also encouraged international agencies, including the World Bank and other regional development banks to step up their capacity and support trade facilitation.

The relationship between trade, investment and development has been an important part of the G20's trade and investment agenda. In particular, starting with the London Summit, leaders have continuously reaffirmed their historic commitments on Aid for Trade. In Seoul, leaders pledged to at least maintain, beyond 2011, Aid for Trade levels that reflect the average of the last three years. More recently, leaders at the Cannes Summit highlighted the role of investment—in particular in infrastructure in developing countries—as a way to unlock new sources of growth.

## Business recommendations to the G20

The table on the following page delineates “key” business recommendations, and presents each as either a “recurring” or “one-time” recommendation as it appears in the compendiums of business recommendations prepared and presented to the Seoul and Cannes G20 Business Summits. Although the “recurring” recommendations are not exact reiterations, they share enough similarities to warrant a collective assessment and score. The table indicates the source of each recommendation, the category and the final “score.” For purposes of constructing an overall assessment of G20 performance, all recommendations related to Trade & Investment are grouped under topic 1; individual recommendations are further assigned a letter per policy area.

Recurring Business Recommendations	ICC G20 CEO Group	SEOUL	CANNES	Category	Score
Lay the ground for an ambitious, balanced and comprehensive Doha Round under a single-undertaking approach as originally envisioned. At the very least, the G20 should agree to implement a future work programme at the WTO's December 2011 Ministerial Conference.	X			1.A (WTO negotiations)	INCOMPLETE
Recommit to completing the Doha Development Round in 2011, and reinforce that commitment through the personal engagement of each G20 leader.		X			
Propose a path for the World Trade Organization (WTO) to pursue its core functions: trade liberalization and rule making. (Completing an ambitious Doha Round would have provided an important stimulus to global growth; however, progress seems unlikely in the near future)			X		
Create a predictable and stable climate for investment and elaborate a reference framework for international investment as a practical tool to help countries review their international investment agreements.	X			1.B (International investment framework)	INSUFFICIENT
Work toward a Multilateral Framework for Investment reflecting all interests (host and home countries), developing a non-binding International Model Investment Treaty as an interim step.		X			
Launch joint negotiations for a Framework agreement on investment.			X		
Create the conditions for scaling up business contributions to sustainable development through public-private partnerships and the creation of enabling business environments.	X			1.C (PPP)	INCOMPLETE
Establish a public-private task force under G20 leadership to help facilitate trade finance and elucidate the positive links between trade, job creation and economic growth.		X			
One-time Business Recommendations					
Roll back protectionism at least to where it was at the start of the global financial crisis and resist protectionism and trade-restrictive measures going forward.		X		1.D (Roll back protectionism & improve monitoring)	INCOMPLETE
Broaden monitoring of changes in conditions for private investment to areas affecting all private investment and to improvements in order to stimulate further opening.		X			
Put trade and investment permanently on the G20 agenda, and embed trade in the G20 structures and processes in recognition of its role in fostering global development.		X		1.E	INSUFFICIENT
Give trade finance favourable treatment under the New Capital Framework, often referred to as Basel III.		X		1.F	PROGRESS
Ensure a clear and enforceable legal framework; aim for principle-based FDI regulation, rather than detailed rules, leading to simple compliance through box ticking.		X		1.G (FDI)	INSUFFICIENT
Build a better understanding of the positive impact of FDI (Creation of Shared Value).		X			
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.			X	1.H	PASS
The WTO should finalize rapidly a Trade Facilitation Agreement and develop its scope of negotiations to boost global trade. We call on the WTO to conclude trade facilitation negotiations, which are less politically sensitive, by the 2011 Ministerial Conference.			X	1.I	INCOMPLETE

## Summary of overall score

Despite the importance of trade and investment to the global economic recovery, and while noting that progress has been made in some areas, the overall score for the global business assessment of G20 outcomes on trade and investment is **INCOMPLETE**.

The central theme of businesses' recommendations is the urgent need to advance the multilateral trade agenda. The current Doha Round stalemate—now in its 11th year—constrains the effectiveness of the WTO and its ability to advance multilateral trade liberalization. Without progress on multilateral trade negotiations there can be no advancement on key business issues, such as a WTO agreement on trade facilitation. Similarly, the business community has repeatedly urged the G20 to adopt a statement in favour of open investment as a tool for growth and to make trade and investment a permanent item on the G20's agenda.

### Summary of G20 Response to Business Recommendations

Trade and Investment	Score
<b>1.A</b> – Achieve progress on WTO/Doha Round	Incomplete
<b>1.B</b> – Framework agreement on investment	Insufficient
<b>1.C</b> – Establish public-private task force	Incomplete
<b>1.D</b> – Roll back protectionism	Incomplete
<b>1.E</b> – Make trade and investment a permanent item on the G20 agenda	Insufficient
<b>1.F</b> – Impact of Basel III on Trade finance	Progress
<b>1.G</b> – Support FDI	Insufficient
<b>1.H</b> – Russian accession to the WTO	Pass
<b>1.I</b> – Trade facilitation agreement	Incomplete
<b>Overall Score</b>	<b>INCOMPLETE (1.0)</b>

## II. Assessment and scoring

### 1A – WTO negotiations - Doha Round

The Doha Development Round (hereafter referred to as the Doha Round) is the current trade negotiation round of the WTO. The Doha Round trade negotiations were officially launched at the WTO's fourth ministerial conference in Doha, Qatar, in 2001, and cover about 20 areas of trade, including agriculture, services and industrial products.

Commitments to reach a successful conclusion of the Doha Round have become a staple of G20 Summit communiqués. Starting with the 2008 Washington Summit, G20 leaders have repeatedly expressed their intent to reach an ambitious and balanced outcome of the Doha Round. At the London Summit, G20 leaders stated that a conclusion of the Doha Round was “urgently needed,” and at the 2009 Pittsburgh Summit they expressed a determination to “seek an ambitious and balanced conclusion to the Doha Development Round in 2010.” Subsequent Summits have included similar language, although not explicitly committing to any specific deadline; instead, emphasizing the need to reach a comprehensive and balanced conclusion.

*G20 leaders should lay the groundwork for an ambitious, balanced and comprehensive Doha Round agreement under a single-undertaking approach as originally envisaged. At the very least, the G20 should agree to implement a future work programme at the WTO's December 2011 Ministerial Conference.*

(ICC G20AG)

In Cannes, G20 leaders reaffirmed their commitment to a conclusion of the Doha Round; however, recognizing the lack of progress achieved so far, they expressed a need to pursue a “fresh and credible approach for furthering the negotiations.” The G20 directed their ministers to work on such an approach at the 8th WTO Ministerial meeting in Geneva, 15-17 December 2011, and engage into discussions on challenges and opportunities to the multilateral trading system in a globalized economy, and then report back by the Mexico Summit. The 8th WTO Ministerial meeting, however, did not result in any concrete progress. Trade ministers acknowledged that their perspectives differed significantly on the possible single-undertaking results that WTO members could achieve. Differences between

emerging and advanced economies—and their respective contributions and responsibilities—were seemingly insurmountable. In particular, ongoing disagreements on agricultural market access and proposed cuts in tariffs on manufactured goods deadlocked negotiations.

In an attempt to move forward, trade ministers expressed their openness to alternative negotiating approaches, including initiating discussions on new issues and plurilateral approaches. This initiative, however, was not uniformly supported, with concerns raised on the risk of addressing issues selectively or shifting focus away from unresolved issues in the Doha Round negotiations.<sup>3</sup> Despite negative sentiment surrounding the Doha Round, the WTO saw progress in other areas at the Ministerial meeting in Geneva. Russia joined the WTO after 18 years of negotiations and the long-awaited reform of the Government Procurement Agreement was completed.

## G20 Score: WTO negotiations – Doha Round (1A)

### INCOMPLETE

#### Score Criteria

Recognition 

Action 

Adequacy 

Absence of progress on the Doha Round has largely paralyzed the WTO's negotiation function and impaired its ability to address existing issues and future challenges. The ongoing impasse threatens not only the G20's prospect of reaching an "ambitious and balanced conclusion to the Doha Round," but also constrains the ability of the WTO and to advance multilateral trade liberalization. A decade worth of work without a successful overall conclusion raises concerns over the WTO's ability to deliver on two of its core functions: trade liberalization and rule-making. Although the G20 has consistently emphasized the importance of completing the Doha Round, reiteration without progress does not warrant a point for action.

## 1B – Framework agreement on investment

G20 leaders' focus on investment has, to date, been limited to more general statements on the importance of open trade and investment. At the initial G20 Summit in Washington, leaders stressed that "our work will be guided by a shared belief that market principles, open trade and investment regimes" and in Cannes leaders agreed to a six-point plan to strengthen the medium-term foundations for growth, including "measures to promote open trade and investment, rejecting protectionism in all its forms."

*The G20 should launch joint negotiations for a Framework agreement on investment.*

(Cannes G20 Business Summit)

The G20 has never referred to a framework agreement on investment. Leaders at the Seoul Summit did, however, indicate general support for international investment agreements. Leaders called on the Multilateral Development Banks, the United Nations Conference on Trade and Development (UNCTAD), the United Nations Development Programme (UNDP), the International Labour Organization (ILO) and the Organisation for Economic Co-operation and Development (OECD) to assist developing countries in creating action plans with the view to improve the business investment climate, maximize the value-added of private investment and support the regulatory framework for foreign and domestic investment. Leaders also noted: "Existing international investment arrangements between G20 countries and LICs will be strengthened to promote investment in LICs." A report by the international organizations is being prepared for the Los Cabos Summit.

<sup>3</sup>WTO Conference: Chair Gavels Decisions, Maps Out Future, UN-OHRILS, 20 December 2011. Available at: [http://www.unohrlls.org/en/newsroom/current/?type=2&article\\_id=115](http://www.unohrlls.org/en/newsroom/current/?type=2&article_id=115)

Previous attempts to reach an international agreement on investment have, so far, been unsuccessful. The WTO's Working Group on Trade and Investment has explored the possibility of negotiating a multilateral framework of investment rules in the WTO since 1997. At the 2001 Doha Ministerial Conference, the Working Group received an extended mandate, with ministers agreeing that negotiations on an investment agreement would take place after the 2003 ministerial conference in Cancun if decided by "explicit consensus." Despite extensive work by the Working Group—with more than 20 meetings in Geneva and several substantial reports on the issue published—negotiations were not undertaken, in large part due to disagreements between developed and developing economies.

## G20 Score: Framework agreement on investment (1B)

### INSUFFICIENT

#### Score Criteria

Recognition	✗
Action	✗
Adequacy	✗

None of the G20 Summit declarations contain language supporting a framework agreement on investment. G20 leaders at the initial Summit in Washington emphasized that open trade and investment regimes are essential for economic growth, employment, and poverty reduction. If they truly stand behind this statement, the G20 should re-engage in open discussions to find a common vision and approach on an international framework agreement on investment.

## 1C – Public-private task force

The role of the private sector first emerged onto the G20's agenda in a meaningful way at the 2010 Toronto Summit, when leaders launched the G20 SME Finance Challenge aimed at finding the most promising models for public-private partnerships that catalyze finance for SMEs.

G20 leaders have highlighted and supported public-private partnerships in certain specific areas, including food security and agriculture, the fight against corruption and infrastructure.<sup>4</sup> Beyond very general statements, however, the role of trade and investment to create jobs and economic growth has largely gone unmentioned.

Nevertheless, the G20's support for the G20 Business Summits (B20) indicates a continued focus on public and private sector cooperation. The main purpose of these Business Summits is to promote a dialogue between the leaders and the business community in order to enrich G20 discussions, provide private sector input, and ultimately help the G20 achieve its goals. To date, three B20 Summits have been held as part of the G20 leaders' Summits, including Toronto, Seoul and Cannes. A fourth will be held under the Mexican G20 Presidency.

The B20 and G20 processes have been closely linked so far under the Mexican presidency. In particular, Mexican President Calderon personally launched the B20 task force process and has asked to be presented in person with the task force recommendations. In addition, a liaison from the Mexican Government has been appointed to each of the B20 task forces to create a link between the business and intergovernmental policy development processes.

*[The G20 should] Establish a public-private task force under G20 leadership to help facilitate trade finance and elucidate the positive links between trade, job creation and economic growth.*

*(Seoul G20 Business Summit)*

<sup>4</sup>See for example the Cannes Action Plan on food price volatility and agriculture, G20 Anti-Corruption Action Plan and the G20 High Level Panel (HLP) on infrastructure.

## G20 Score: Public private partnerships (1C)

### INCOMPLETE

#### Score Criteria

Recognition



Action



Adequacy



The G20 has neither emphasized the role of trade as a tool for economic growth, nor supported the creation of a specific public-private task force to help facilitate business actions. Despite this, the G20's ongoing support for the B20 is sufficient for the G20 to be rewarded with a point for its recognition of the importance of an ongoing public-private dialogue.

## 1D – Roll back protectionism & improve monitoring

Starting with the 2009 London Summit, the G20 has repeatedly called on the WTO, UNCTAD and OECD to monitor and publicly report on the G20's adherence to the Standstill Provision.<sup>5</sup>

The 6th UNCTAD/OECD Report on G20 Investment Measures (October 2011) found that "On the whole, G20 members have continued to honour their pledge not to retreat into investment protectionism. Most of the few investment policy measures taken during the reporting period represent continued moves towards eliminating restrictions to foreign investment and improving transparency for investors." In particular, five G20 members implemented investment-specific policy measures (Brazil, China, India, Italy and the Republic of Korea) and four G20 members concluded four bilateral investment treaties and one other international agreement with investment provisions (Canada, Indonesia, Japan and the Russian Federation).<sup>6</sup>

Leaders have consistently pledged to roll back any new protectionist trade measure that may have arisen; however, according to the most recent WTO Report on G20 Investment Measures, May to mid-October 2011, "It is clear that there have been many instances where the [G20] pledges were not followed." The report continues, noting, "most G-20 governments have put in place new measures that restrict or distort trade, or that have the potential to restrict or distort trade." The Report also expresses concerns that the political climate in some regions is retreating into protectionism, and that "a tendency towards industrial support, combined with trade-restrictive measures, is emerging in some countries."<sup>7</sup>

*[The G20 should] Roll back protectionism at least to where it was at the start of the global financial crisis and resist protectionism and trade-restrictive measures going forward.*

*[The G20 should] Broaden monitoring of changes in conditions for private investment to areas affecting all private investment and to improvements in order to stimulate further opening.*

*(Seoul G20 Business Summit)*

<sup>5</sup>Leaders at the first G20 Summit, Washington 2008, committed to "refrain from raising new barriers to investment or to trade in goods and services, imposing new export restrictions, or implementing WTO-inconsistent measures to stimulate exports." The commitment has been reiterated at all following G20 Summits and is known as the Standstill Provision.

<sup>6</sup>6th Report on G20 investment measures, OECD-UNCTAD, 26 October 2011. Available at: <http://www.unctad.org/Templates/Download.asp?docid=15863&lang=1&intItemID=6127>

<sup>7</sup>Report On G-20 Trade Measures, WTO. Available at <http://www.unctad.org/Templates/Download.asp?docid=15870&lang=1&intItemID=6127>

The European Commission's 8th *Report on Potentially Trade Restrictive Measures* (October 2011) found that G20 governments have implemented 424 restrictive measures since October 2008. In the 12 months between October 2010 and September 2011 alone, the Commission's report found that 131 new restrictions were introduced; only 40 have been removed.<sup>8</sup> Likewise, a November 2011 report by Global Trade Alert (GTA) found that the G20 remains responsible for the majority of all new protectionist trade measures; it identified 104 new protectionist measures implemented by G20 countries just in the third quarter of 2011.<sup>9</sup> In December 2011, the International Chamber of Commerce published the *ICC Open Markets Index*, which measures the ease of market access attributed to government policies and ranks countries based on openness to trade. The Index showed that only one G20 country (Germany) ranked in the top 20 of 75 countries evaluated.

## G20 Score: Roll back protectionism & improve monitoring (1D)

### INCOMPLETE

#### Score Criteria

Recognition 

Action 

Adequacy 

The G20 was quick to act against protectionism at the first Summit in Washington and the Standstill Provision is a cornerstone of the G20's trade and investment agenda. G20 leaders are commended for having largely avoided the temptation of protectionism since the start of the economic crisis in 2008. Signs of support for international investment are promising, however—despite G20 leaders' consistent pledge to roll back any protectionist trade measures that have arisen—several international monitoring reports show that members are not adhering to their standstill commitments, and the trend is pointing to an increase in protectionist measures. Some of these concerns could effectively be addressed by a G20 mechanism that would require members to ensure observance and roll back protectionist measure. Yet, no such instrument has been suggested or endorsed by the G20.

## 1E – Make trade & investment a permanent item on the G20 agenda

One of the primary contributors to bringing about the first G20 leaders Summit in Washington, 2008, was the financial crisis' dramatic impact on global trade. Stressing the critical importance of rejecting protectionism and not turning inward in times of financial uncertainty, leaders emphasized the importance of open trade and investment for economic growth, employment, and poverty reduction.

As the imminent threat of a global economic meltdown started to subside in 2010, so did the G20's focus on trade and investment. Beyond the Standstill Provision, recurring support for Aid for Trade and trade finance, and pledges to reach a successful conclusion of the Doha Round, trade and investment have not been imbedded in the G20's overall agenda.

*[The G20 should] Put trade and investment permanently on the agenda of the G20 and embed trade in the G20 structures and processes in recognition of its role in fostering global development.*

(Seoul G20 Business Summit)

<sup>8</sup>Eighth *Report on Potentially Trade Restrictive Measures*—October 2010-September 2011. Available at: <http://trade.ec.europa.eu/doclib/html/14>  
<sup>9</sup>*Trade Tensions Mount: The 10th GTA Report*, 21 Nov 2011. Available at <http://www.globaltradealert.org/gta-analysis/trade-tensions-mount-10th-gta-report>



In contrast to other G20 issues—including Food Security, Development, Employment and Infrastructure—the G20 has not set up a specific Task Force, nor has it created an action plan on trade and investment.<sup>10</sup> Similarly, the G20 has not asked its trade ministers to convene under the G20 umbrella – a common method for the Chair of the G20 to bring attention to a special issue or problem.<sup>11</sup>

Perhaps indicating an increased focus on trade, G20 leaders in Cannes directed their trade ministers to “engage into discussions on challenges and opportunities to the multilateral trading system in a globalized economy and to report back by the Mexico Summit.” It remains to be seen whether trade and investment will become permanently integrated into the G20’s structure during the Mexican Presidency. To its credit, the Mexican Presidency convened the first meeting of G20 trade ministers in April 2012 in Puerto Vallarta at which business was given an opportunity to present recommendations on trade and investment.

G20 Score: Make trade & investment a permanent item on the G20’s agenda (1E)		
INSUFFICIENT		
Score Criteria		So far, the G20 has not integrated trade and investment into its overall structure. The Standstill Provision and recurring commitments to conclude the Doha Round are such that trade and investment remain on the G20’s agenda, but not embedded in its ongoing work programme. More needs to be done, particularly in recognizing and promoting the importance of trade and investment for economic growth and job creation.
Recognition	✗	
Action	✗	
Adequacy	✗	

## 1F – Treatment of trade finance under Basel III

In response to the reduction of trade finance in the wake of the financial crisis, G20 leaders have called for support measures to increase the availability of trade finance in developing countries and encouraged international agencies, including MDBs, to step up their capacity and support trade facilitation. Amidst concerns over potential adverse affects of new capital requirement frameworks, G20 leaders in Seoul decided “to monitor and assess trade finance programs in support of developing countries, in particular their coverage and impact on LICs (low-income countries) and to evaluate the impact of regulatory regimes on trade finance.” In response to the G20’s Seoul commitment—and following consultations with the World Bank, WTO and ICC—the Basel Committee on Banking Supervision (BCBS) evaluated the impact of the Basel II and III capital adequacy frameworks on trade finance in the context of low-income countries. In October 2011, as a result of this evaluation, the Committee adopted two changes to the treatment of trade finance in Basel II and III. These changes reduce overall capital requirements for certain types of trade finance exposure by:

*[G20 governments should] give trade finance favourable treatment under the New Capital Framework, often referred to as Basel III.*

(Seoul G20 Business Summit)

- waiving the one-year maturity floor for certain trade finance instruments under the advanced internal ratings-based approach (AIRB) for credit risk; and
- waiving the so-called sovereign floor for certain trade-finance related claims on banks using the standardized approach for credit risk.

<sup>10</sup>Cf. The G20 Action Plan Food Price Volatility and Agriculture, the G20 Task Force on Employment, the Anti-Corruption Action Plan, the Multi-Year Action Plan on Development, the Financial Inclusion Action Plan, The High Level Panel on Infrastructure.

<sup>11</sup>Cf. U.S. Secretary of Labor’s invitation to G20 employment and labour ministers at the 2009 Pittsburgh Summit to meet as a group to address the jobs crisis, and the 2011 request by French president Nicolas Sarkozy for the G20’s agriculture ministers met for the first time to tackle the issue of food security.

## G20 Score: Treatment of trade finance under Basel III (1F)

### PROGRESS

#### Score Criteria

Recognition	✓
Action	✓
Adequacy	✗

The Seoul Summit's call to evaluate the impact of regulatory regimes on trade finance—and the subsequent BCBS decision to reduce capital requirements for some types of trade finance exposure—corresponds to business's recommendation to give trade finance favourable treatment under the Basel III Framework. Further opportunities still exist for the G20 and Basel Committee to refine the rules for trade development; however, as a first step, the G20 deserves points for both recognition and action.

## 1G – Support FDI

G20 support for foreign direct investment (FDI) has been limited. Beyond support for the OECD and UNCTAD's semi-annual monitoring report on G20's investment measures (see section 1. C), there have been few G20 statements on improving the openness of markets to cross-border investment. In fact, besides a few specific policy commitments by G20 members in Seoul (see the Seoul Summit's supporting document *Policy Commitments by G20 Members*), there has been no direct mention of FDI in any of the Summit Declarations. Consequently, there have been no G20 statements on the value, benefits and positive impacts of FDI or any mention of FDI regulations.

*Ensure a clear and enforceable legal framework; aim for principle-based FDI regulation, rather than detailed rules leading to simple compliance through box ticking.*

(Seoul G20 Business Summit)

## G20 Score: Support FDI (1G)

### INSUFFICIENT

#### Score Criteria

Recognition	✗
Action	✗
Adequacy	✗

This recommendation has not been recognized by the G20. If long-term FDI flows are to accelerate sustainably in the future, governments must continue to avoid impediments to FDI flows (in and out) and find ways which makes it possible for FDI to move even more freely across all borders and in all directions. Looking forward, the G20 should, at the very least, make a statement in favour of open markets for FDI, as this position would encourage companies looking to invest globally.

## 1H – Russian accession to the WTO

The Russian Federation formally applied to the WTO in June 1993. After 18 years of negotiations, the WTO ministers adopted Russia's WTO terms of entry at the 8th Ministerial Conference in Geneva, 15-17 December 2011. Russia will have to ratify the deal within 220 days (at the latest, 22 July 2012) and will become a full-fledged WTO member 30 days after it notifies the ratification to the WTO. With the accession of the Russian Federation, the WTO will cover 97 per cent of world trade, approaching universality in the coverage of global trade.

*With almost all major negotiations now completed, Russia and its WTO partners should make a concerted effort to complete their accession by the 2011 WTO Ministerial Conference.*

*(Cannes G20 Business Summit)*

### G20 Score: Russian accession to the WTO (1H)

#### PASS

##### Score Criteria

Recognition	✓
Action	✓
Adequacy	✓

Russia's ascension to the World Trade Organization is an important milestone that will benefit global trade and open businesses. The G20 has acted in line with business recommendation.

## 1I – Trade facilitation agreement

G20 leaders first expressed support for trade facilitation—the simplification and harmonization of international trade procedures—at the 2009 Pittsburgh Summit. Reaffirming the commitment to seek an ambitious and balanced conclusion to the Doha Round, leaders specifically asked their trade ministers to seek progress on remaining issues such as trade facilitation.

Subsequent Summits would reaffirm support for trade facilitation, however, without any specific mention of the WTO process. Most recently, G20 leaders in Cannes expressed that: "Improved market access for least developed countries should be complemented with a strengthening of trade facilitation, trade finance and aid-for-trade programs to enhance their trade capacity."

Despite no clear path forward for the Doha Round, there are some signs of progress on the Trade Facilitation Agreement. A report by the Chairman of the WTO Trade Negotiations Committee, 14 February 2012, noted that there was a collective sense to use 2012 to move in small steps on issues where consensus exists and keep expectations manageable. In particular, there was an "emerging consensus that certain [Doha Round] issues such as those pertaining to LDCs and Trade Facilitation could be part of deliverables relatively soon." The Report also noted that the Negotiating Group on Trade Facilitation met in January and has "had a good start."<sup>12</sup>

*The WTO should finalize rapidly a trade facilitation agreement and develop its scope of negotiations to boost global trade – We call on the WTO to conclude trade facilitation negotiations, which are less politically sensitive, by the 2011 Ministerial Conference.*

*(Cannes G20 Business Summit)*

<sup>12</sup>Report by the Chairman of the Trade Negotiations Committee, WTO News Item, 14 February 2012. Available at: [http://www.wto.org/english/news\\_e/news12\\_e/gc\\_rpt\\_14feb12\\_e.htm](http://www.wto.org/english/news_e/news12_e/gc_rpt_14feb12_e.htm).

The Negotiation Group will carry out its work for the first half of this year through a “facilitator-led” process to be undertaken in two stages. In particular, facilitators will seek to obtain new proposed language to be incorporated into the Draft Consolidated Negotiating Text, which in February, still contained some 800 brackets (indicating text still to be agreed).<sup>13</sup>

G20 Score: Trade facilitation agreement (11)		
INCOMPLETE		
Score Criteria		<p>The G20 has repeatedly supported trade facilitation, albeit without explicitly mentioning the WTO’s trade facilitation agreement. For recognizing the issue, it receives a point. Despite recommendations by the business community, the WTO was unable to finalise the trade facilitation agreement at the 8th WTO ministerial Conference. The Cannes Summit’s recognition of a need for a new and fresh approach to the Doha Round negotiations, and recent progress made by the WTO’s Negotiating Group on Trade Facilitation, show hope that an agreement can be reached under 2012.</p>
Recognition	✓	
Action	✗	
Adequacy	✗	

<sup>13</sup>Chair outlines plans for work on trade facilitation, Third World Network, 18 February 2012. Available at: <http://www.twinside.org.sg/title2/wto.info/2012/twninfo120208.htm>

# Chapter 3: Green Growth

## Introduction

The G20's first mention of *Green Growth*<sup>14</sup> was made at the 2009 London Summit where leaders pledged to "build an inclusive, green, and sustainable recovery [...] and accelerate the transition to a green economy." Six months later in Pittsburgh, leaders began delineating a G20 green growth agenda by committing to phase out inefficient fossil fuel subsidies in the medium term, stimulate investment for clean and renewable energy and promote the deployment of clean, affordable energy resources to the developing world.

The November 2010 *Seoul Action Plan* has increased emphasis on clean energy, calling for additional investments to develop long-term energy policies, support education, enterprise and R&D. At the 2011 Cannes Summit, G20 leaders pledged to promote low-carbon development strategies to optimize the potential for green growth, encourage policies that overcome barriers to efficiency, and spur innovation and deployment of clean and efficient energy technologies. G20 leaders also called on multilateral development banks (MDBs) to develop new and innovative financial instruments to further leverage private investment. Supported by a number of climate finance reports produced by intergovernmental organizations, G20 leaders asked their Finance Ministers to report progress on climate finance at the June 2012 Los Cabos Summit.

In parallel, the G20 has made recurring commitments to the *UN Framework Convention on Climate Change* (UNFCCC) process. At the first G20 Summit in 2008 in Washington, leaders acknowledged the critical challenge of climate change; then in London, they explicitly endorsed the UN process and committed to reach an agreement at the 2009 UNFCCC conference in Copenhagen "based on the principle of common but differentiated responsibilities." This ambition was restated in Pittsburgh, with leaders including a statement that "an [climate change] agreement must include mitigation, adaptation, technology, and financing." Support for the UN process has been reaffirmed in Toronto, Seoul and most recently in Cannes, with leaders then committing "to the success of the Durban Conference on Climate Change."

## Business recommendations to the G20

The table on the following page delineates "key" business recommendations, and presents each as either a "recurring" or "one-time" recommendation, as it appears in the compendiums of business recommendations prepared and presented to the Seoul and Cannes G20 Business Summits. Although the "recurring" recommendations are not exact reiterations, they share enough similarities to warrant a collective assessment and score. The table indicates the source of each recommendation, the category and the final "score." For purposes of constructing an overall assessment of G20 performance, all recommendations related to Green Growth are grouped under topic 2; individual recommendations are further assigned a categorical letter.

<sup>14</sup>Green Growth is a broad term, encompassing several interdependent topics, including: climate finance, equitable and sustainable growth, energy efficiency and climate change. As defined by the *ICC Task Force on Green Economy*: "The business community believes that the term "green economy" is embedded in the broader sustainable development concept. The "green economy" is described as an economy in which economic growth and environmental responsibility work together in a mutually reinforcing fashion, while supporting progress on social development. Business has a crucial role in delivering the economically viable products, processes, services and solutions required for the transition to Green Economy."

Recurring Business Recommendations	ICC G20 CEO Group	SEOUL	CANNES	Category	Score
Buildings: Set high energy-efficiency standards and publicly funded incentives for green investments.		X		2.A (Energy-efficiency)	PASS
Industrial: Devise targeted incentives for energy efficiency in manufacturing equipment and processes.		X			
Transport: Introduce fuel-efficiency standards that ratchet up over time.		X			
Power: Accelerate uptake of renewable and other low-carbon energies, and expand and upgrade electrical grids to guarantee priority access for green energy.		X			
Dramatically scale up support for green technology development and innovation (finance for R&D and scale-up of clean energy, transport and sustainable, high-productivity agriculture).			X		
Develop incentives to encourage deployment of energy efficiency.			X		
Pursue market-based carbon pricing (either through a market-based, cap-and-trade approach or via taxation approaches) within the context of each country's respective national circumstances.	X			2.B (Market-based carbon pricing)	PROGRESS
Pursue market-based carbon pricing to incentivize investment on the scale necessary to shift to renewable and low-carbon energy sources.		X			
Establish genuine market mechanisms to encourage investments and facilitate access to energy in developing countries.			X		
Achieve a robust price on carbon and enhance flexible offset mechanisms.			X		
Abolish fossil fuel subsidies within the shortest possible timeframe, not more than five years.		X		2.C (Fossil fuel subsidies)	PROGRESS
End fossil fuel subsidies.			X		
Promote free trade in environmental goods and services by eliminating tariff and non-tariff barriers, which will accelerate diffusion of green technologies, lower prices, encourage competition, and result in faster job creation.		X		2.D (Free trade in environmental	INSUFFICIENT
Allow free trade in environmental goods and services.			X		
One-time Business Recommendations					
Avoid potential competitive distortions in international trade, in transition to greener economies and provide a stable economic environment governed by the rule of law, including effective intellectual property rights protection.	X			2.E	INSUFFICIENT
Encourage the implementation of UNFCCC Cancun agreements and work towards a truly global agreement on climate change.	X			2.F	PROGRESS
Establish clear and consistent standards to better measure environmental footprints; support benchmarking efforts and use of these standards in policy setting.	X			2.G	PROGRESS
Mandate regular meetings of energy-related ministers to set aspirational targets, develop technology roadmaps and address regulatory barriers, such as tariff and trade barriers and international standards.			X	2.H	INSUFFICIENT
Strengthen international public-private partnerships, particularly to promote universal access to energy.			X	2.I	PROGRESS

## Summary of overall score

The overall score for the global business assessment of G20 commitments and directives on Green Growth is **INCOMPLETE**. This score indicates that G20 leaders have recognized and made good progress on the priorities expressed by the global business community, but that several recommendations still remain unaddressed.

Calls on the G20 to focus on energy efficiency and market-based carbon pricing are particularly recurrent. Recommendations for G20 leaders to phase out fossil fuel subsidies and promote free trade in environmental goods and services are also repeated topics, indicating the importance attributed to these issues by the business community.

Summary of G20 Response to Business Recommendations

Green Growth	Score
2.A – Energy efficiency	Pass
2.B – Carbon pricing	Progress
2.C – Fossil fuel subsidies	Progress
2.D – Trade in green goods & services	Insufficient
2.E – Reduce trade distortions	Insufficient
2.F – Advance UNFCCC agreements	Progress
2.G – Measure environmental footprints	Progress
2.H – Energy Ministerials	Insufficient
2.I – Universal access to energy	Progress
<b>Overall Score</b>	<b>INCOMPLETE (1.4)</b>

## II. Assessment and scoring

### 2A – Energy efficiency

The G20 made its first commitment to develop energy efficiency and clean energy technologies at the 2009 London Summit. In Pittsburgh, G20 leaders restated their commitment to stimulate investment in clean energy, renewables, and energy efficiency, and provide financial and technical support for such projects in developing countries. Support for clean energy and energy efficiency (C3E) technologies was reinforced at the Seoul Summit, and more recently in Cannes, when leaders pledged to “promote low-carbon development strategies in order to optimize the potential for green growth and [...] commit to encouraging effective policies that overcome barriers to efficiency, or otherwise spur innovation and deployment of clean and efficient energy technologies.”

Several G20 members have implemented policy and regulatory measures to support clean energy technologies in their countries and beyond. Some recent examples are as follows:

*[G20 leaders should] Dramatically scale up support for green technology development and innovation (finance for research, development and scale-up of clean energy, transport and sustainable, high-productivity agriculture).*  
(Cannes G20 Business Summit)

- Australia announced new, stricter pollution standards to be imposed on all new cars sold in Australia by 2018. Once fully implemented, the standards will reduce the maximum allowable emissions by up to 50-90% for particular polluting elements, and encourage introduction of energy efficient technologies.
- China announced its goal of building 235 million kilowatts of power generation capacity of clean energy in the next five years, in an effort to trim the country’s heavy reliance on fossil fuels.
- The Honolulu Declaration, adopted during the 19th Asia-Pacific Economic Cooperation (APEC) Economic Leaders’ Meeting in Hawaii, included pledges to cap tariffs on sustainable goods, foster low-emissions development, and improve the energy efficiency of transportation, buildings, and power grids. APEC economies agreed to increase energy efficiency and reduce the region’s energy intensity by at least 45% by 2035, almost doubling the previous commitment.



In Cannes, the G20 endorsed a report by the International Energy Agency (IEA) entitled *G20 Clean Energy, and Energy Efficiency Deployment and Policy Progress*. The report—which was prepared in collaboration with the G20 Clean Energy and Energy Efficiency Working Group—found that deployment of clean energy technologies around the world is progressing rapidly, and implementation of energy efficiency policies is improving. Renewable energy technologies have seen significant growth rates in recent years. (From 2005 to 2010, wind power grew at an average rate of 27% per year, and solar photovoltaic at an average rate of 56%). Governments are beginning to set goals to support the development of advanced vehicle markets (“advanced vehicles” refers to electric, plug-in hybrid and fuel cell models).

Yet, despite signs of positive progress, the report observed that the world is still largely dependent on fossil fuels to satisfy growth in global energy demand. In the past decade, coal has met nearly 50% of new electricity demand globally, and oil currently accounts for 94% of energy supply in the transport sector. Transport accounts for about 27% of the world’s final energy use and 23% of energy-related CO2 emissions, with 62% of all transport CO2 coming from G20 countries.

G20 Score: Energy efficiency (2A)	
PASS	
<b>Score Criteria</b>	<p>Energy efficiency has been a continuing theme of the G20’s <i>Green Growth</i> agenda. Leaders have made commitments, requested, received and endorsed reports by the IEA on energy and energy efficiency technology deployment. Overall progress is also indicated by the number of implemented national policy and regulatory measures in G20 countries. More can always be done, and significant obstacles remain, but the G20 is commended for recognizing and effectively responding to global business’ call for G20 leaders to dramatically scale up support for green technology development and innovation.</p>
Recognition	
Action	
Adequacy	

## 2B – Market-based carbon pricing

In Cannes, the G20 underlined the role of the private sector in supporting climate-related investments globally, particularly through various market-based mechanisms. Although leaders have not specifically mentioned market-based carbon pricing in any of the previous leaders’ declarations, the G20 has continuously pledged support for the UNFCCC process.

At the most recent UNFCCC Climate Conference in Durban, 2011, the Kyoto Protocol’s Clean Development Mechanism (CDM) was expanded to include Carbon Capture and Storage (CCS) as a valid project type within the CDM.<sup>15</sup> The CDM is one of the three market-based carbon-credit mechanisms established by the Kyoto protocol enabling countries or operators in developed countries to acquire greenhouse gas reduction credits.

Offset markets through the Clean Development Mechanism have resulted in \$27 billion in flows to developing countries in the past 9 years, catalyzing low carbon investments of over \$100 billion.

*[G20 leaders should] Pursue market-based carbon pricing. A clear and steady carbon price is a pre-requisite to incentivizing investment on the scale necessary to shift to renewable and low-carbon energy sources. Business prefers market-based mechanisms. If taxes are used, revenue should be recycled to support clean energy technologies.*

(Seoul G20 Business Summit)

<sup>15</sup>CCS involves capturing carbon dioxide, mainly from the combustion of fossil fuels like coal or natural gas, and then piping it into underground geological reservoirs.

Transaction value in the primary offset market fell sharply, however, in 2009 and 2010, amid uncertainties over the future of the Kyoto Protocol and its market mechanisms. In addition to the inclusion of CCS in the CDM, Durban also opened for consideration of new market mechanisms, including sectorial and Nationally Appropriate Mitigation Actions (NAMAs).

At the Cannes Summit, G20 leaders were presented with a World Bank, IMF, OECD and Regional Development Banks report: *Mobilizing Climate Finance*.<sup>16</sup> The report, which was assembled on the request of G20 finance ministers, highlighted a number of market-based carbon pricing mechanisms, including developing countries' NAMAs and REDD+ activities.<sup>17</sup> The report also noted that new market initiatives are underway in both developed and developing countries, despite uncertainties about the international regulatory environment.

## G20 Score: Market-based carbon pricing (2B)

### PROGRESS

#### Score Criteria

Recognition	✓
Action	✓
Adequacy	✗

G20 governments should be commended for supporting the strengthening of the existing market mechanisms at the Durban climate conference. The inclusion of CCS in the CDM is a milestone decision, allowing proposed projects in the developing world to issue and sell carbon credits for the emissions they capture and store. Progress at the UNFCCC Durban Conference, with the extension of the Kyoto protocol for another five years and Durban Platform for Enhanced Action, helps alleviate some of the concerns for the future of the international market for carbon pricing. In the words of the World Bank's carbon finance unit manager, Joëlle Chassard, "If one thing was achieved in Durban, it is that market mechanisms are very likely to be part of the future." Nevertheless, to date, G20 leaders have not specifically addressed market-based carbon pricing in any of the Leaders Declaration, and not all G20 countries have implemented national plans in this area. Action can be considered adequate only if the issue is truly elevated to the G20 level.

## 2C – Fossil fuel subsidies

When G20 leaders met in Pittsburgh 2009, they committed to "rationalize and phase out over the medium term inefficient fossil fuel subsidies that encourage wasteful consumption [while recognizing] the importance of providing those in need with essential energy services, including through the use of targeted cash transfers and other appropriate mechanisms." Leaders also called on all nations to "adopt policies that will phase out such subsidies worldwide." Leaders tasked four international organizations (IOs), the IEA, OPEC, OECD, and World Bank, to provide an analysis of the scope of energy subsidies, make suggestions for the implementation of the initiative, and report back at the Toronto Summit.

*G20 governments should also abolish fossil fuel subsidies within the shortest possible timeframe, not more than five years.*

(Seoul G20 Business Summit)

<sup>16</sup>Available at: [http://www.g20-g8.com/g8-g20/root/bank\\_objects/G20\\_Climate\\_Finance\\_report.pdf](http://www.g20-g8.com/g8-g20/root/bank_objects/G20_Climate_Finance_report.pdf)

<sup>17</sup>REDD stands for "Reducing Emissions from Deforestation and Forest Degradation." REDD+ is similar to REDD, but instead of just covering deforestation and degradation, it includes other activities, such as the sustainable management of forests and the enhancement of forest carbon stocks.

Leaders at Toronto welcomed a first joint report by the four IOs and 13 G20 countries presented implementation strategies for phasing out selected fossil-fuel subsidies. The remaining countries (Australia, Brazil, France, Japan, Saudi Arabia, South Africa and the United Kingdom) reported that they had no inefficient fossil fuel subsidies to reform in context of the G20 mandate. The Toronto Summit concluded with leaders reaffirming their Pittsburgh commitment and encouraging the continued and full implementation of the country-specific strategies, with continued progress reviews at upcoming Summits.

To deliver on their commitments in Pittsburgh and Toronto, many G20 countries have developed strategies and timeframes for implementing national-level policies to rationalize and phase out inefficient fossil fuel subsidies. The measures have differed depending on national circumstances, ranging from production subsidies for oil, coal and gas, to more general consumption subsidies. Examples of measure taken include Germany's proposal to discontinue subsidized coal mining in a socially acceptable manner by the end of 2018, and South Korea's proposal to phase out subsidies to anthracite coal and briquette producers.

At the Cannes Summit, G20 leaders welcomed a country progress report by the four IOs entitled, *An Update of the G20 Pittsburgh and Toronto Commitments*. The report provided background information to assist G20 nations in the process of identifying inefficient fossil fuel subsidies that encourage wasteful consumption and designing appropriate reforms. The report also highlighted lessons learned from country experiences on how to implement fossil fuel subsidy reform, while protecting the poor and most vulnerable, drawing on case studies and analyses from the World Bank, OPEC and the OECD.

The Cannes Summit concluded with leaders reiterating their Pittsburgh and Toronto commitments and asking finance ministers and other relevant officials to press ahead with reforms and report back during 2012.

## G20 Score: Fossil fuel subsidies (2C)

### PROGRESS

#### Score Criteria

Recognition	✓
Action	✓
Adequacy	✗

A reduction in subsidies is an important step in moving the world away from its dependence on fossil fuels and the threat of climate change. Leaders have maintained the fossil-fuel subsidy reform issue on the G20's agenda, delegated reporting functions to intergovernmental organizations, and followed up on their energy and finance ministers recommendations. The G20's initiative and continued leadership have also had positive effects beyond the G20 forum, with APEC leaders and other non-G20 members following suit and making similar pledges to phase out fossil-fuel subsidies. Nevertheless, there is no clear definition of what is an inefficient fossil fuel subsidy, opening up for unintended exemptions. Nearly half of the countries identified by the IEA as artificially lowering the price of energy to below the full cost of supply have taken steps since the beginning of 2010 to rationalize energy prices. The IEA estimates that the subsidies amounted to USD 409 billion in 2010—almost USD 110 billion higher than in 2009.

## 2D – Free trade in environmental goods

Despite commitments to create financial incentives for Green Growth, including the Seoul Summit's pledge to undertake "green growth and innovation oriented policy measures to find new sources of growth and promote sustainable development," G20 leaders have not promoted free trade in environmental goods and services at G20 Summits.

This situation is unfortunate, as eliminating tariff and non-tariff trade barriers would accelerate deployment of green technologies, increase economies of scale, lower prices, encourage competition and innovation, and result in faster job creation.

The commitment made by the 21-member Asia Pacific Economic Forum (APEC) in November 2011 to cap tariffs at 5% by the end of 2015 on certain "green" products, like solar panels, wind turbines, and energy-efficient light bulbs, could pave the way for a similar agreement at the G20 level.

*G20 governments should promote free trade in environmental goods and services by eliminating tariff and non-tariff barriers, which will accelerate diffusion of green technologies, lower prices, encourage competition, and result in faster job creation.*

(Seoul G20 Business Summit)

### G20 Score: Free trade in environmental goods (2D)

#### INSUFFICIENT

##### Score Criteria

Recognition	☒
Action	☒
Adequacy	☒

The G20 has not responded to the business community's call on establishing free trade in environmental goods and services. To date, G20 actions in this area have been non-existent.

## 2E – Avoiding international trade distortions

Leaders in Cannes committed to strengthen the multilateral trade framework. However, the limited progress in the Doha Development Round (in its 11th year) overshadows the G20's ability to further the multilateral trade agenda. This paralysis has allowed progress to stagnate, preventing any new multilateral trade agreements, including those relating to green growth, from being reached.

Commitments on strengthening Intellectual Property Rights (IPR) are glaringly absent from the G20's Summit declarations. At no point have G20 leaders mentioned IPR. This exclusion should be viewed in contrast to the 37th G8 meeting in May 2011, where the joint final statement "G8 Declaration Renewed Commitment for Freedom and Democracy" called for better protection of intellectual property around the world and included a number of paragraphs on IPR.

*G20 leaders should avoid potential competitive distortions in international trade in the transition to greener economies and provide a stable economic environment governed by the rule of law, including effective intellectual property rights protection (IPR), strong contractual arrangements and open, rules-based trade – all strong prerequisites to driving green growth.*

(ICC G20AG)

Rule of Law is mentioned only four times in all of the G20 Summit Declarations, and then only once in the shape of a (vague) commitment: At the first G20 Summit in Washington, leaders stated that they remained “committed to addressing other critical challenges such as energy security and climate change, food security, the rule of law, and the fight against terrorism, poverty and disease.”

## G20 Score: Avoiding international trade distortions (2E)

### INSUFFICIENT

#### Score Criteria

Recognition	✗
Action	✗
Adequacy	✗

Although the Cannes commitment to strengthen the multilateral trade framework is significant, the current WTO impasse on the Doha Round threatens the WTO’s ability to address new challenges, such as trade in green goods. G20 leaders have furthermore not recognized the importance of IPR at any of the G20 Summits. This omission is unfortunate, as strong IPRs are fundamental for growth creation, particularly in stimulating R&D in new techniques like clean energy.

## 2F – Advance UNFCCC agreements

G20 leaders reaffirmed their support for the UNFCCC process at the 2011 Cannes Summit and committed to the successful outcome of the Durban Conference on Climate Change. Expectations before the conference were low. At the very last minute (in actuality, 36 hours after the scheduled close of the two-week Summit), however, ministers reached an agreement—the *Durban Platform for Enhanced Action*. The two-page document commits—for the first time—all countries to take legally binding emission cuts. The new agreement is to be adopted no later than 2015, and will take effect by 2020.

*G20 leaders should encourage the implementation of UNFCCC Cancun agreements at COP 17 in Durban and work towards a truly global agreement on climate change, but not let delays in such agreements slow establishment of effective domestic policies.*

(ICC G20AG)

The Durban conference resulted in other important developments:

- The Kyoto Protocol—the only current regime to combat climate change—was extended another five years. (It was originally due to expire in 2012.) The Kyoto Protocol has recently seen its significance diminish, with Canada, Japan and Russia saying in 2010 that they would not accept new Kyoto commitments.
- A committee was organized to start the process of figuring out contributions from countries, with talks set to start in 2012 on how to funnel \$100bn a year of finance to the Green Climate Fund.
- In Durban, the Clean Development Mechanism (CDM) was expanded to include carbon capture and storage (CCS), allowing proposed projects in the developing world to issue and sell carbon credits for the emissions they capture and store.

## G20 Score: Advance UNFCCC agreements (2F)

### PASS

#### Score Criteria

Recognition	✓
Action	✓
Adequacy	✓

The outcome of the Durban Climate Conference was a diplomatic achievement in many regards, creating a roadmap for all countries to sign a new legally binding climate change treaty. The extension of the Kyoto agreement, albeit without Japan, Russia and Canada, will sustain negotiations at the UNFCCC, while governments seek to craft a wider legal agreement for all countries by 2015, to enter into force from 2020. G20 leaders must carry on the momentum from Durban. Slow progress in delivering on the elements of the Durban platform will hamper the opportunity to catalyze the private sector investment, ultimately delaying or even foregoing a critical means of climate finance.

## 2G – Measuring environmental footprints

G20 leaders at the 2010 Seoul Summit pledged to “stimulate investment in clean energy technology, energy and resource efficiency, green transportation, and green cities by [...] establishing clear and consistent standards, developing long-term energy policies.” Leaders supported the ongoing initiatives of the Clean Energy Ministerial and requested the Energy Experts Group to monitor and report back on progress at the 2011 Summit in France.

In response to this request, the IEA, in collaboration with the Clean Energy and Energy Efficiency (C3E) Working Group, developed a report: *G20 Clean Energy, and Energy Efficiency Deployment and Policy Progress*. The report provides an overview of energy efficiency and clean energy technology deployment, standards and policy progress in G20 countries. The report notes substantial strides in transforming markets for an array of energy efficient products. It attributes success largely to the delivery of a suite of well designed and implemented energy efficiency policies, such as building codes, standards and labelling, energy certification schemes and utility programmes.

The report also highlighted development towards a global energy management standard, ISO 50001. If the new standard is approved, it will establish a framework for industrial plants, commercial facilities or entire organizations to manage energy, influencing up to 60% of the world’s energy use.

Leaders at the Cannes Summit supported the development and deployment of clean energy and energy efficiency (C3E) technologies and welcomed “the [IEA’s] assessment of the countries’ current situation regarding the deployment of these technologies as well as the on-going exercise of sharing best practices, as a basis for better policy making.”

*G20 leaders should establish clear and consistent standards to better measure environmental footprints and support benchmarking efforts and use of these standards in policy setting.*

(ICC G20AG)

## G20 Score: Measuring environmental footprints (2G)

### PROGRESS

#### Score Criteria

Recognition	✓
Action	✓
Adequacy	✗

The G20 should be commended for its focus on clean energy and energy efficiency and its recognition of the importance of common standards. Common standards are invaluable tools for measuring and benchmarking actual progress. The G20's request for—and subsequent delivery of—the IEA's report ensures that these issues continue to receive focus. Business urges the G20 to continue making progress by supporting benchmarking and increasing efforts to establish clear and consistent standards.

## 2H – Regular meetings of energy-related ministers

A common method for the G20 to draw attention to a special issue has been for the Chair of the Summit to invite relevant G20 ministers, together with relevant international organizations, to meet as a group. At the 2009 Pittsburgh Summit, U.S. President Obama asked his Secretary of Labour to invite the G20's employment and labour ministers to meet as a group in early 2010 to address the jobs crisis. In 2011, on the request of French president Nicolas Sarkozy, the G20's agriculture ministers met for the first time to tackle the issue of food security.

To date, the G20 has not asked its energy ministers to convene under the G20 umbrella. Beyond the G20's call on its finance and energy ministers to reduce inefficient fossil fuel subsidies, the G20 has seemingly ignored its energy ministers.

*[G20 leaders should] Mandate regular meetings of energy-related ministers. These should aim to set aspirational targets, develop technology roadmaps and address regulatory barriers such as tariff and trade barriers and international standards.*

(Seoul G20 Business Summit)

## G20 Score: Regular meetings of energy-related ministers (2H)

### INSUFFICIENT

#### Score Criteria

Recognition	✗
Action	✗
Adequacy	✗

The G20 has not acted on the global business community's recommendation to mandate its energy ministers to have regular meetings. So while business commends the G20's progress in a number of areas, like energy efficiency, phasing out fossil fuel subsidies and putting in place a sustainable green growth agenda will require greater ownership by G20 energy ministers.



## 2I – Universal access to energy

The G20 has not explicitly promoted universal access to energy; there is no reference to it in any of the Summit declarations. However, at the 2011 Cannes Summit, G20 leaders welcomed the UN Secretary General's *Sustainable Energy for All* initiative. This is significant, as universal access to energy is at the heart of the UN's initiative.

The *Sustainable Energy for All* initiative calls for national commitments and global attention to the importance of energy for development and poverty alleviation. The goal is to meet three objectives by 2030: 1) Ensure universal access to modern energy services; 2) Double the rate of improvement in energy efficiency; 3) Double the share of renewable energy in the global energy mix.

*[G20 leaders should] Strengthen international public-private partnerships. Chief among these initiatives are promoting universal access to energy. Public funding must be provided in a way that helps unlock further private investment in clean energy.*

(Seoul G20 Business Summit)

The role of public funding and private sector investments in clean energy was highlighted at the Cannes Summit. In response to the G20's request in Seoul, a number of intergovernmental organizations provided climate finance reports for the Cannes Summit, including the Bill Gates Foundation report *Innovation with Impact: Financing 21st Century Development and Mobilizing Climate Finance*, an in-depth report prepared by the World Bank, IMF, OECD and the Regional Development Banks. Leaders welcomed the reports and asked their finance ministers to report progress on climate finance at the Los Cabos Summit. Underlining the role of the private sector in supporting climate-related investments globally, the G20 also called on MDBs to develop new and innovative financial instruments to increase their leveraging effect on private flows.

### G20 Score: Universal access to energy (2I)

#### PROGRESS

##### Score Criteria

Recognition	✓
Action	✓
Adequacy	✗

There can be no development and growth without access to energy. A recent study by the IEA shows that US\$48 billion per year would be needed to guarantee universal access to modern energy services by 2030, or a little more than five times the amount currently earmarked. By highlighting the UN's *Sustainable Energy for All* initiative, G20 leaders have acknowledged the importance of universal access to energy. The G20 has also focused on how to stimulate private sector investments in clean energy, asking a number of international organizations to provide climate finance reports for the Cannes Summit. These are important first steps, but at the Los Cabos Summit, leaders should continue to make specific commitments that support the cause and encourage others to do the same.

# Chapter 4: Transparency and Anti-Corruption

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## Introduction

Recognizing that failure to address corruption undermines the effectiveness of G20 efforts across its entire agenda, G20 leaders have increasingly taken up the fight against corruption. The G20 first addressed corruption at the Pittsburgh Summit, committing to “maintain the momentum in dealing with tax havens, money laundering, proceeds of corruption, terrorist financing, and prudential standards.”

More specifically, Pittsburgh called for the “adoption and enforcement of laws against transnational bribery, such as the OECD Anti-Bribery Convention, and the ratification by the G20 of the UN Convention against Corruption (UNCAC).” Since then, G20 Summits have continuously called for the ratification by the G20 of the UNCAC and encouraged other countries to do the same. There has also been a recurring call for the adoption and enforcement of laws against transnational bribery, with an emphasis on the OECD Anti-Bribery Convention.

Leaders at the 2010 Seoul Summit adopted an ambitious *Anti-Corruption Action Plan* and—pledging to lead by example in the fight against corruption—challenged a Working Group to implement and monitor progress. The Action Plan marked a paradigm shift in the fight against corruption, as the G20 recognizing the proactive role played by the private sector and the need for public-private partnership. In particular, leaders extended an invitation to the private sector to examine best practices and other forms of business engagement in combating corruption. They also encouraged them to consider how G20 based companies could share their ongoing efforts.

At the 2011 Cannes Summit, G20 leaders endorsed the G20 Anti-Corruption Working Group’s first Monitoring Report on individual and collective progress made by G20 countries in the implementation of the Seoul Action Plan. Reiterating the importance of the private sector, leaders in Cannes commended the enhanced engagement of the private sector in the fight against corruption and welcomed commitments by the B20 to build on the Action Plan. The Cannes Summit concluded with leaders committing “[to] hold ourselves accountable for our [Anti-corruption] commitments and will review progress at our next Summit.”

Reiterating the importance of the private sector, leaders in Cannes commended the enhanced engagement of the private sector in the fight against corruption and welcomed commitments by the B20 to build on the Action Plan. The Cannes Summit concluded with leaders committing “[to] hold ourselves accountable for our [Anti-corruption] commitments and will review progress at our next Summit.”

## Business recommendations to the G20

The table below delineates “key” business recommendations, and presents each as either a “recurring” or “one-time” recommendation, as it appears in the compendiums of business recommendations prepared and presented to the Seoul and Cannes G20 Business Summits. Although the “recurring” recommendations are not exact reiterations, they share enough similarities to warrant a collective assessment and score. The table indicates the source of each recommendation, the category and the final “score.” For purposes of constructing an overall assessment of G20 performance, all recommendations related to anti-corruption and transparency are grouped under topic 3; individual recommendations are further assigned a categorical letter.

Recurring Business Recommendations	ICC G20 CEO Group	SEOUL	CANNES	Category	Score
All G20 governments should ratify and implement UNCAC. G20 governments should also encourage work with non-G20 states toward universal adoption and implementation.	X			3.A (UNCAC and OECD)	INCOMPLETE
All G20 governments should become parties to the OECD Convention on Combating Bribery of Foreign Public Officials.	X				
[Building on the Seoul Action Plan, G20 governments should] accelerate their commitment to ratify, enforce and monitor the implementation of the OECD and UN conventions on anti-corruption.			X		
One-time Business Recommendations					
Each national government should consider creating a reporting mechanism to provide assistance to companies that are confronted with bribery and/or extortion, and to resolve other, and to resolve other concerns that may arise in the context of public procurement and international projects (e.g. “Ombudsman”).	X			3.B	INCOMPLETE
[Building on the Seoul Action Plan, G20 governments should] support negotiations within the WTO for a multilateral agreement on standards for procedures and transparency in government procurement.			X	3.C	INSUFFICIENT
Create a G20/B20 joint platform, supported by an explicit business commitment and accountable to G20 and B20 leaders, to maintain an ongoing, multi-year dialogue.			X	3.D	PROGRESS
[Building on the Seoul Action Plan, G20 governments should] recognize public bodies and officials that demonstrate leadership in fighting corruption.			X	3.E	INCOMPLETE

## Summary of overall score

The overall score for the global business assessment of G20 commitments and directives on Transparency and Anti-Corruption is **INCOMPLETE**.

The G20 leaders' continued commitment to address corruption is duly recognized and highly endorsed. The G20 has been successful in reinforcing global anti-corruption mechanisms. Nevertheless, more decisive steps can—and should—be taken. The fight against corruption

requires that countries have effective legal and institutional frameworks in place to ensure a level playing field. The UNCAC is particularly important for business because it has the potential for a truly global scope in curbing corruption and creating a level playing field for all participants in the global economy. The business community has therefore been adamant in its call for ratification by all G20 countries. The business community will continue to press G20 governments to ratify, enforce and monitor the implementation of the UNCAC and to continue their involvement in OECD's Anti-Bribery Convention.

Calls for further and closer cooperation between the public and private sectors have also been recurring, particularly in raising awareness of the societal cost of corruption and supporting private sector-driven initiatives. Business has also pushed for the creation of global standards requiring transparency procedures in government procurement.

### Summary of G20 Response to Business Recommendations

Transparency and Anti-Corruption	Score
3.A – UNCAC and OECD Convention	Incomplete
3.B – Reporting mechanisms	Incomplete
3.C – Government procurement within the WTO	Insufficient
3.D – G20/B20 joint platform	Progress
3.E – Recognize public bodies and officials	Incomplete
<b>Overall Score</b>	<b>INCOMPLETE (1.0)</b>

## II. Assessment and scoring

### 3A – UNCAC and OECD Convention

Starting with the Pittsburgh Summit, G20 leaders have continuously called for all G20 members to ratify the UNCAC and encouraged other countries to do the same.<sup>18</sup>

In Cannes, leaders reaffirmed their long-standing commitment to G20 UNCAC ratification and committed to accelerate the process. Although important progress was made in 2011, with India ratifying the UNCAC, three G20 countries still have not ratified the plan, including Germany, Saudi Arabia and Japan. The G20 also commended the first UNCAC implementation peer reviews and committed to “lead by example in ensuring the transparency and inclusivity of UNCAC reviews by considering the voluntary options in accordance with the Terms of Reference of the Mechanism, notably with regards to the participation of civil society and transparency.” Six G20 countries have so far undergone a peer review, with remaining countries scheduled for review by 2014.

*[Building on the Seoul Action Plan, G20 governments should] accelerate their commitment to ratify, enforce and monitor the implementation of the OECD and UN conventions on anticorruption.*

*(Cannes G20 Business Summit)*

Leaders at the Pittsburgh Summit called for the adoption and enforcement of laws against transnational bribery, mentioning in particular the OECD Anti-Bribery Convention (OECD Convention). Reiterating the call, G20 leaders in Cannes pledged more active engagement, on a voluntary basis, within the OECD Working Group on Bribery. Although there was no specific mention by leaders for further ratification, the G20 Anti-Corruption Working Group (AWG) agreed “as a priority, to foster more active engagement within the OECD WGB [Working Group on Bribery] by countries that are not already party

<sup>18</sup>The United Nations Convention against Corruption (UNCAC) is the only legally binding universal anti-corruption instrument.

to the OECD Convention, with a view to future ratification.” Marking a major step forward, the Russian Federation officially became the 39th Party to the OECD Convention on 17 April 2012.<sup>19</sup>

The AWG’s first *Monitoring Report*, annexed to the Cannes Summit Declaration, noted that 15 G20 countries have undergone Phase 1 and Phase 2 OECD reviews; ten have also undergone Phase 3 reviews evaluating their foreign bribery framework and enforcement efforts. Concerns over the OECD Convention’s effectiveness and momentum were nevertheless raised in 2011, with Transparency International’s annual report on enforcement of the Convention finding, for the first time, that signatories had made no progress.<sup>20</sup> The annual report prepared by the OECD Working Group on Bribery was equally gloomy, finding that most governments were not meeting their international commitments to clamp down on bribery and corruption in international business, with only five signatories to the OECD Convention having sanctioned individuals or companies in the past year.<sup>21</sup>

## G20 Score: UNCAC and OECD Convention (3A)

### INCOMPLETE

#### Score Criteria

Recognition	✓
Action	✗
Adequacy	✗

Important steps were taken under the French Presidency to continue progress on the Seoul Action Plan. Considering G20 leaders' commitment to lead by example in key anti-corruption areas, however, it is disappointing to see that —despite being on the G20 agenda since the 2009 Pittsburgh Summit—not all G20 countries have ratified the UNCAC. That the remaining countries have not committed to any specific deadlines for ratification is perhaps even more disquieting. For business, UNCAC is essential because it has the potential for a truly global scope on curbing corruption and creating a level playing field for all participants in the global economy. If the G20 truly wishes to lead by example, those G20 countries that have not ratified the UNCAC should commit to specific deadlines.

## 3B – Reporting mechanisms to assist companies

The creation of national authorities is outside the ambit of the *ICC G20 Scorecard*, as evaluations are made on G20 efforts, not individual members’ actions. An assessment is therefore based on whether the G20 has directly (or indirectly) supported the creation of such a mechanism.

Neither the G20, nor the AWG, has explicitly mentioned the role of reporting mechanisms. Rather, they have focused on enhancing transparency; creation of anti-corruption bodies and enforcement authorities; disclosure systems; and codes and conduct rules.

The AWG’s first *Monitoring Report* suggested that G20 leaders adopt a statement at the Cannes Summit pledging “to support fully the important work of anticorruption bodies and authorities involved in combating corruption [and to] use their voices, coordinating where possible, to express concern when [freedom from undue influence] is curtailed.” Leaders in Cannes endorsed the AWG’s report, though without specifically mentioning national anti-corruption bodies or enforcement authorities.

*Each national government should consider creating a reporting mechanism to provide assistance to companies that are confronted with bribery and/or extortion, and to resolve other concerns that may arise in the context of public procurement and international projects (e.g. “Ombudsman”).*

(ICC G20AG)

<sup>19</sup>The current parties to the Convention are the 34 OECD member countries plus Argentina, Brazil, Bulgaria and South Africa.

<sup>20</sup>Enforcement of the OECD Anti-Bribery Convention, Transparency International, May 2011.

<sup>21</sup>OECD Working Group on Bribery’s Annual Report, 2010. Available at: <http://www.oecd.org/dataoecd/7/15/47628703.pdf>

Individual G20 member actions are not considered for the score; however, examples from G20 members demonstrate positive trends. The ongoing debate in India over the government's Lokpal and Lokayuktas Bill, which would set up an independent ombudsman with the power to prosecute politicians and civil servants, illustrates that governments are exploring different types of reporting mechanisms. Other G20 members already have in place similar arrangements, such as South Africa's Public Protector, Indonesia's ACA Corruption Eradication Committee (KPK) and the Korean Anti-Corruption and Civil Rights Commission (ACRC).

## G20 Score: Reporting mechanisms to assist companies (3B)

### INCOMPLETE

#### Score Criteria

Recognition 

Action 

Adequacy 

The G20 has, to date, not specifically endorsed the creation of reporting mechanisms. Although individual governments are responsible for enacting sound policies, the G20, and in particular the AWG, are well positioned to support these actions. The first AWG's *Monitoring Report* has highlighted the role of anti-corruption bodies and enforcement authorities in combating corruption. These institutions share similarities with the suggested reporting mechanism. The G20 is, therefore, awarded a point for recognition.

## 3C – Government procurement within the WTO

Work on government procurement within the WTO is divided between three main areas of work: (i) the plurilateral Agreement on Government Procurement; (ii) transparency in government procurement; (iii) multilateral negotiations on services procurement.

Progress on the transparency in government procurement and multilateral negotiations on services procurement work areas progress has been virtually non-existent, largely because the WTO decided not to address procurement within the current trade negotiation round of the WTO, the Doha Round. As a result, the WTO Working Group on Transparency in Government Procurement is inactive.

The AWG's first *Monitoring Report* contains a recommendation for the G20 leaders to adopt fair and transparent government procurement systems and includes seven principles to achieve this goal. The recommendation notes the following: "These principles could also be implemented by parties to the WTO Government Procurement Agreement through the relevant non market access provisions of the Agreement." Leaders in Cannes welcomed the AWG's report and agreed to improve public sector transparency, including fair and transparent public procurement, with concrete results by the end of 2012. No mention of the WTO process, however, was made.

Re-negotiations on the plurilateral Agreement on Government Procurement (GPA) were reached – after more than 10 years of discussions – at the 8th WTO Ministerial, December 2011. Beyond a significant extension of the GPA coverage, the agreement will provide for more transparency, enhance the openness of markets and help tackle corruption by fostering good governance. Parties to the agreement have also agreed to initiate, upon entry into force of the revised Agreement, several work programmes that will guide the Committee on Government Procurement's future work and help improve the overall transparency.

*[Building on the Seoul Action Plan, G20 governments should] support negotiations within the WTO for a multilateral agreement on standards for procedures and transparency in government procurement.*

*(Cannes G20 Business Summit)*

## G20 Score: Government procurement within the WTO (3C)

### INSUFFICIENT

#### Score Criteria

Recognition	✗
Action	✗
Adequacy	✗

The ongoing impasse of the Doha Round has largely paralyzed the WTO. Without a successful conclusion of the Doha Development Round, or at least a clear path forward, it is unlikely that a multilateral agreement on standards for procedures and transparency in government procurement can be reached any time soon. Business welcomes the conclusion of the long-running GPA re-negotiation. Although it is not the multilateral agreement that business has called for, its completion is important because it shows that—despite concerns over the Doha Round negotiations—the WTO is able to accomplish its core functions: trade liberalization and rule making. Furthermore, extension of the GPA's underlying ideas and principles to new countries can hopefully set in motion a gradual multilateralisation of the GPA. Maintaining momentum from the plurilateral GPA, G20 leaders should encourage the WTO to re-commence multilateral negotiations on standards for procedures and transparency in government procurement.

## 3D – Create a G20/B20 joint platform

The G20's ambitious *Anti-Corruption Action Plan*, adopted at the 2010 Seoul Summit, marked a paradigm shift in the fight against corruption, with the G20 recognizing the need for public-private partnerships and the private sector's proactive role. Leaders pledged to encourage public-private partnerships and stressed that the Action Plan would offer "a significant opportunity for developing and implementing initiatives that engage the private sector in the global fight against corruption."

The Action Plan committed to "strengthen corporate efforts, by extending an invitation to the private sector to meet during the French Presidency, to examine best practices and other forms of business engagement in combating corruption and to consider how G20 corporations could share their ongoing efforts." Under the initiative of the French G20 presidency, the first G20–OECD Anti-Corruption Conference was held in April 2011. The conference provided, for the first time, a platform for high-level executives and government officials of all G20 countries to examine best practices, other forms of business engagement in combating corruption, and to consider how G20 businesses could share their ongoing efforts. All G20 members were represented at the conference. More recently, a high-level, public-private anti-corruption dialogue was held under the Mexican Presidency on 18-19 April, 2012 in Puerto Vallarta. The purpose of the meeting was to improve the dialogue between the private sector and government; to examine and share information on international best practices and experiences; and to further involve the private sector in preventing and fighting corruption.

*Create a G20/B20 joint platform, supported by an explicit business commitment and accountable to G20 and B20 leaders, to maintain an ongoing, multi-year dialogue.*

(Cannes G20 Business Summit)



Supported by the AWG's first *Monitoring Report*, leaders in Cannes welcomed initiatives aimed at increasing transparency in the relationship between private sector and government. Leaders specifically mentioned and supported voluntary participation in the Extractive Industries Transparency Initiative (EITI). Leaders also acknowledged steps being taken by some countries to request companies in the extractive industry to publish what they pay in countries of operation<sup>22</sup> and to support the Construction Sector Transparency Initiative (CoST).

The Cannes Summit concluded with the G20 commending the enhanced engagement of the private sector in the fight against corruption. Leaders welcomed commitments by the G20 Business Summit (B20) to build on the *G20 Anti-Corruption Action Plan* and urged business to take concrete action. Ethics and Compliance Training being developed by the private sector is a clear demonstration of the increased engagement by business in this regard.

G20 Score: Create a G20/B20 joint platform (3D)		
PROGRESS		
<b>Score Criteria</b>		<p>Leaders have not endorsed a specific B20/G20 joint platform, but rather called on the business community to deepen its commitment through the B20. The G20–OECD Anti-Corruption Conference held in April 2011 and the Public-Private Anti-Corruption Dialogue held in April, 2012 in Puerto Vallarta are significant steps towards a more lasting joint B20/G20 platform. A similar event is slated to happen under the Mexican presidency. The G20 has recognized the pivotal role of the private sector in the fight against corruption and is living up to its commitment to encourage public-private partnerships. These are significant steps in the battle against corruption, yet more can be done. Establishing a G20/B20 joint forum for consultation between the B20 and G20 would both demonstrate commitment to public-private cooperation in the fight against corruption, and provide a forum in which business and governments could work together to advance the G20 Anti-Corruption Action Plan.</p>
Recognition	✓	
Action	✓	
Adequacy	✗	

### 3E – Recognize public bodies and official

To date, the G20 has not acted on the business community's recommendation to recognize public bodies and officials that demonstrate leadership in fighting corruption. Neither the 2010 Seoul *Anti-Corruption Action Plan*, nor the 2011 Cannes Leaders' Summit Declaration, contains language recognizing or rewarding public officials for exceptional contributions on the fight against corruption.

The issue has, however, been recognized by the G20's Working Group on Anti-Corruption (AWG). The AWG's first *Monitoring Report* includes a section on public-private partnerships where it noted that the "dialogue with the private sector has helped to identify a number of priority areas where G20 countries and businesses can work better together to fight corruption. Issues discussed included: [...] putting in place more reliable government systems that reward good behaviour and voluntary disclosure by

*[Building on the Seoul Action Plan, G20 governments should] recognize public bodies and officials that demonstrate leadership in fighting corruption.*

(Cannes G20 Business Summit)




<sup>22</sup>The US has such a provision in the Dodd-Frank Act and the European Commission introduced a similar provision in the draft review of the transparency directive, at the request of French President Sarkozy.

businesses [...] The G20 Business Summit (B20) will provide the opportunity to further discuss these issues through a pledge by companies to complement G20 efforts to fight corruption.” At the recent high-level Anti-Corruption Dialogue in Puerto Vallarta, 18-19 April 2012, representatives of the OECD and the UN stressed the importance of appreciating countries’ efforts in implementing international anti-corruption accords and conventions.

## G20 Score: Recognize public bodies and officials (3E)

### INCOMPLETE

#### Score Criteria

Recognition	
Action	
Adequacy	

It is important to recognize public bodies and reward officials who demonstrate effective leadership in helping to eliminate the demand side of corruption. The G20 has, through the AWG, acknowledged the business community's recommendation. Comments by multilateral institutions at the recent high-level Anti-Corruption Dialogue in Puerto Vallarta indicate that this issue is gaining momentum. The AWG's identification of the issue as a possible priority area warrants the G20 a point for recognition.

# Chapter 5: Financing for Growth & Development

## Introduction

Access to finance is key to development. Recognizing the crucial need to strengthen the financial infrastructure in developing countries, G20 leaders have launched several initiatives to support affordable access to safe, secure and reliable finance. This includes increasing the availability of trade finance in developing countries and supporting financial inclusion and financial services for Small- and Medium-sized Enterprises (SMEs).

In response to a dramatic reduction of trade finance following the 2008-09 financial crisis, leaders have continuously supported measures to increase the availability of trade finance in developing countries, particularly in low-income countries (LICs), and encouraged international agencies, including multilateral development banks (MDBs), to increase their capacity for trade facilitation. Most recently, leaders in Cannes emphasized that “Improved market access for least developed countries should be complemented with a strengthening of trade facilitation, trade finance and aid-for-trade programs to enhance their trade capacity.”

At the Pittsburgh Summit, the G20 launched its financial inclusion and SME initiative with leaders committing to “support the safe and sound spread of new modes of financial service delivery capable of reaching the poor and [to] scale up the successful models of small- and medium-sized enterprise financing.” To achieve this ambitious goal, the G20 established a G20 Financial Inclusion Experts Group (FIEG) and launched the G20 SME Finance Challenge at the Toronto Summit.

Further advances were made under auspices of the Korean Presidency. Recognizing the vital role of SMEs in employment and income generation, leaders in Seoul pledged to “increase access to finance for the poor and small and medium enterprises.” Based on the work done by the FIEG and its nine Principles for Innovative Financial Inclusion, leaders in Seoul endorsed a comprehensive Financial Inclusion Action Plan and launched the Global Partnership for Financial Inclusion (GPFI) “as an inclusive platform for all G20 countries, interested non-G20 countries and relevant stakeholders to carry forward our work on financial inclusion.” Cementing its importance for development and growth, financial inclusion was endorsed as one of the nine key pillars for development in the Seoul Multi-Year Action Plan for Development.

Leaders at the 2011 Cannes Summit commended the progress made by the GPFI on implementation of the Financial Inclusion Action Plan, endorsed the GPFI’s first report, and pledged to follow through on its five recommendations. Building on the success of the SME Finance Challenge, leaders in Cannes launched the G20 Challenge on Inclusive Business Innovation. This online competition seeks to find the best examples worldwide of businesses with innovative, scalable, and commercially viable ways of working with low-income individuals in developing countries.

## Business recommendations to the G20

The table on the following page delineates “key” business recommendations, and presents each as either a “recurring” or “one-time” recommendation, as it appears in the compendiums of business recommendations prepared and presented to the Seoul and Cannes G20 Business Summits. Although the “recurring” recommendations are not exact reiterations, they share enough similarities to warrant a collective assessment and score. The table indicates the source of each recommendation, the category and the final “score.” For purposes of constructing an overall assessment of G20 performance, all recommendations related to financing for growth and development are grouped under topic 4; individual recommendations are further assigned a categorical letter.

Recurring Business Recommendations	ICC G20 CEO Group	SEOUL	CANNES	Category	Score
If a leverage ratio [in the new Basel framework] is to be adopted, off-balance sheet trade products should be allowed to retain the Credit Conversion Factor (CCF) values used by banks under the current “risk-weighted assets” calculation (Basel II).	X			4.A (Capital frameworks’ impact on trade finance and SMEs)	PROGRESS
Reconsider the Basel rules respective of the maturity floor applied to trade assets under the advanced model.	X				
Give trade finance favourable treatment under the New Capital Framework, often referred to as Basel III.		X			
Review Basel rules to ensure creditworthy SMEs have access to capital.			X		
Work with the financial services industry to develop a policy environment that supports SME financing and further establishment of credit bureaus in emerging markets.		X		4.B (Policy environment)	PASS
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. This initiative includes a \$600 billion annual infrastructure investment gap, demographics, and pension/retirement needs. Financial innovation must address the needs of the “unbanked,” the more than two billion people who have no access to financial institutions.			X		
One-time Business Recommendations					
Improve awareness of the range of financing options available [for SMEs].		X		4.C (SME Finance)	PASS
Provide incentives encouraging the financial sector to lend to SMEs.		X			
Improve access to capital markets among SMEs and innovative ventures.		X			
Spur innovation and R&D by establishing SME Innovative Technology Development Funds to encourage and facilitate SME access to R&D capital.		X			
Promote the value of intellectual property (IP) to help SMEs assess the effectiveness of their IP as the basis of innovative, creative, and economic activity.		X		4.D	INSUFFICIENT
Create an enabling legal, regulatory and financial framework to favour SMEs, such as rationalizing tax schedules.		X		4.E	PROGRESS

## Summary of overall score

The overall score for the global business assessment of G20 commitments and directives on Financing for Growth and Development is **PROGRESS**.

In particular, the work done by the GPFI and its Sub-Groups to raise awareness and attract more financing to SMEs is praiseworthy. Equally commendable are the comprehensive reports, which provide a range of policy recommendations and best practices for governments and business alike. The business community has repeatedly asked the G20 to explore innovative distribution channels, including supporting digital marketplaces and establishing modern communication networks to address the needs of the “unbanked”—amounting to more than two billion people who have no access to financial institutions. The private sector encourages the GPFI to intensify efforts, adding to its two-years of work in this area. Although progress so far in the implementation of the *Financial Inclusion Action Plan* has been impressive, now is the time to start producing tangible results.

Summary of G20 Response to Business Recommendations

Financing for Growth and Development	Score
4.A – Capital frameworks’ impact on trade finance and SMEs	Progress
4.B – Policy Environment	Pass
4.C – SME finance	Pass
4.D – Promote the value of Intellectual Property	Insufficient
4.E – Create an enabling legal, regulatory and financial framework	Progress
<b>Overall Score</b>	<b>PROGRESS (2.0)</b>

## II. Assessment and scoring

### 4A – Basel III impact on trade finance & SMEs

**Impact on trade finance:** In response to the reduction of trade finance in the wake of the financial crisis, G20 leaders at the London Summit committed to take “whatever steps we can to promote and facilitate trade and investment [and] we will ensure availability of at least \$250 billion over the next two years to support trade finance through our export credit and investment agencies and through the MDBs.”

The G20 continued at the 2010 Toronto and Seoul Summits to support measures to increase the availability of trade finance in developing countries. In particular, leaders in Seoul decided “to monitor and assess trade finance programs in support of developing countries, in particular their coverage and impact on LICs (low-income countries) and to evaluate the impact of regulatory regimes on trade finance.” In response to this call—and following consultations with the World Bank, the WTO and the ICC—the Basel Committee on Banking Supervision (BCBS) evaluated the impact of Basel II and III on trade finance in the context of LICs, and adopted in October 2011 two changes to the treatment of trade finance in the Basel II and III capital adequacy frameworks. The changes reduce overall capital requirements for certain types of trade finance exposure by:

- waiving the one-year maturity floor for certain trade finance instruments under the advanced internal ratings-based approach (AIRB) for credit risk; and
- waiving the so-called sovereign floor for certain trade finance-related claims on banks using the standardised approach for credit risk.

*[The G20 should] Give trade finance favourable treatment under the New Capital Framework, often referred to as Basel III.*

(Seoul G20 Business Summit)

*[The G20 should] Give trade finance favourable treatment under the New Capital Framework, often referred to as Basel III.*

(Cannes G20 Business Summit)

Nevertheless, despite efforts by the G20 and the BCBS, the G20 Development Working Group (DWG) noted in its October 2011 report to leaders in Cannes that “the availability of trade finance continues to be problematic for many countries and that a significant number of countries have not so far received any trade finance support from the MDBs.” To address these issues, the DWG recommended that i) the G20 consider further how best to improve data; and ii) consider the establishment of a trade finance facility at the African Development Bank, which would mean that all MDBs would then have a trade finance facility in place.

**Impact on SMEs:** The GPFI has recognized concerns over the Basel capital frameworks’ impact on SMEs. In 2011, on behalf of the GPFI’s SME Finance Sub-group, the International Finance Corporation (IFC) developed a comprehensive *SME Finance Policy Guide*, intended as a reference point for governments and regulators to underpin the development of financial inclusion strategies and SME finance action plans. In regards to Basel II, the Policy Guide found that “broadly speaking, capital requirements for SMEs would not be significantly higher than those under Basel I.” The Policy Guide also provides a set of recommendations for policymakers regarding the implementation of Basel II in LICs, with particular reference to effects on SME development.

Regarding the Basel III framework, the Policy Guide concludes that most of the Basel III measures proposed are of limited immediate relevance to African banking sectors since “the weaknesses [Basel II] addresses are largely a result of regulatory philosophies and market practice in developed markets. [...] In most African states, bank capital structures are a relatively straightforward composition of common shares and retained earnings and thus already fulfil Basel III quality requirements.”

The Policy Guide notes that increased capital requirements under Basel III will raise the average costs of banks’ liabilities which, in turn, could raise the interest rates charged to bank clients, including SMEs. According to the Policy Guide, it is “not clear whether or to what extent SMEs would be more adversely affected than other clients (consumers, large corporates) by Basel III, and an objective evaluation of the potential impacts may be merited. The gradual implementation of the new Basel III rules (which are to be fully adhered to by 2019) gives banks time to adjust to the new capital requirements.”

## G20 Score: Basel III impact on trade finance & SMEs (4A)

### PROGRESS

#### Score Criteria

Recognition 

Action 

Adequacy 

The G20 has clearly recognized business’ concerns that the Basel capital frameworks may have a detrimental effect on access to trade finance and SMEs’ access to finance. The Seoul Summit’s call to evaluate the impact of regulatory regimes on trade finance—and the subsequent BCBS decision to reduce capital requirements for some types of trade finance exposure—corresponds to global business’s recommendation to give trade finance favourable treatment under the Basel III Framework. There are still further opportunities for the G20 and Basel Committee to refine the rules, particularly in light of the G20 DWG’s findings. Similarly, the GPFI’s review of the Basel framework’s effects on SME finance is commendable; however, G20 and the Basel Committee should continue work to ensure that increased capital requirements under Basel III do not unjustly burden SMEs’ access to finance.

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## 4B – Policy environment

The GPFI's SME Finance Sub-Group is tasked with continuing the work begun by the Financial Inclusion Expert Group (FIEG) in 2010: to identify, scale up and improve the policy environment with successful models of SME financing. To this end, the Sub-Group has initiated several actions and developed a number of reports, including the 2011 *SME Finance Policy Guide*.

The Policy Guide covers important areas, such as Regulatory and Supervisory Frameworks, Financial Infrastructure and Public Sector Interventions. Development of the Policy Guide involved an extensive consultation process engaging more than 1,000 SME finance experts, practitioners, academics, government officials, regulators, and NGO representatives.

Beyond the Policy Guide, the Sub-Group on SME Finance has recognised Women and Agricultural SME Finance as two areas that warrant specific focus. As a result, two reports that were produced in 2011 identify specific problems and present several guidelines for policy and regulatory frameworks.<sup>23</sup> The Sub-group is also developing the *SME Finance Compact*, a platform to engage and assist countries in developing and implementing their own national enabling policy framework for SME Finance within their financial inclusion agenda. The goal of the platform is to develop innovative models and approaches to address the specific challenges and constraints faced by low-income countries with regards to SME finance. The Platform is scheduled to launch at the Los Cabos Summit.

**Credit bureaus:** The G20 has recognized the need for additional credit bureaus in emerging markets. As an example, the 2010 FIEG stocktaking report *Scaling Up SME Access to Financial Services in the Developing World* concludes that governments and public authorities have a critical role to play in the effort, and that the aim should be to develop a comprehensive credit reporting system that covers both personal and commercial credit information, therefore covering micro, small, and medium-sized businesses. This reporting system would help lenders better manage credit risk and extend access to credit.

In addition, the *SME Finance Policy Guide* notes that “well functioning credit reporting systems reduce adverse selection and moral hazard, and can contribute to both an expansion of credit and a reduction in lending costs by facilitating the adoption of lending technologies based on credit scoring models. The development of credit registries and bureaus is particularly important for smaller firms, given the more severe problems of information opacity and asymmetry in these cases.”

Similarly the SME Finance Sub-Group's report *Scaling Up Access To Finance For Agricultural SMEs* finds that “The lack of rural credit bureau information represents a risk for both individual financial institutions and across the system. [...] It is advisable to expand the coverage of credit bureaus and have them include farmers and registered farmer-based organizations, to enhance these groups' opportunities to access credit.” Although the identification of a problem does not guarantee action, it at least indicates that the GPFI and the G20 are acknowledging the issue.

*[The G20 should] Work with the financial services industry to develop a policy environment that supports SME financing and further establishment of credit bureaus in emerging markets.*

*(Seoul G20 Business Summit)*

*Financial innovation must address the needs of the “unbanked,” the more than two billion people who have no access to financial institutions.*

*(Cannes G20 Business Summit)*

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<sup>23</sup>Strengthening Access to Finance for Women-Owned SMEs in Developing Countries, G20 Policy Report on Agricultural Finance for Small and Medium Sized Enterprises.



**The unbanked:** At the Pittsburgh Summit, the G20 leaders recognized the significant impact of the gap in access to finance on households, businesses, and economies worldwide. Leaders mandated that FIEG identify innovative approaches to providing financial services and focus on access for SMEs. Work has since continued within the GPFI after its launch at the 2010 Seoul Summit. Branchless banking, which makes use of technologies, such as mobile phones and payment networks, have been highlighted by the GPFI as one of the more promising solutions to this problem: “Branchless banking taps into existing infrastructure that already reaches unbanked people such as mobile phones and local retail outlets (including post offices) that might be used as agents for cash-in/cash-out and other customer interface functions such as account-opening. As a result, delivering financial services through innovative delivery mechanisms can be radically cheaper than delivering such services conventionally.”<sup>24</sup> In this regard, the case study of M-Pesa—a mobile money service offered by Safaricom in Kenya—has been highlighted by the GPFI. The service uses mobile phones to make payments and deposit small savings, demonstrating that the financial services that poor individuals and businesses need, can be delivered in an affordable and sustainable manner. The service is very successful: As of April 2010, 9 million Kenyans (40% of the population) owned an M-Pesa account.

The GPFI is also exploring potential limitations of branchless banking, including whether the growth of branchless banking may be constrained by the limited level of financial capability of consumers, especially in developing countries.

The issue of addressing the needs of the unbanked remains a priority for the G20 in 2012. The GPFI’s first report to the G20 leaders, delivered at the 2011 Cannes Summit, emphasized that “the Partnership will [in 2012] pursue plans in particular to actively engage the private sector providers of financial services in reaching the unbanked and underbanked.”

## G20 Score: Policy environment (4B)

### PASS

#### Score Criteria

Recognition	✓
Action	✓
Adequacy	✓

The G20 has, through the work done by the FIEG and current initiatives by the GPFI, heightened awareness of the importance of creating enabling SME policy environments. In particular, the work done by the SME Finance Sub-Group and its comprehensive SME Policy Guide provides invaluable policy tools for both governments and businesses. Important business issues such as credit bureaus and providing services to the previously unbanked have similarly been recognized by the GPFI. Although reports and research do not, in themselves, create policy environments, they lay the foundation for further work and tangible results.

<sup>24</sup>Innovative Financial Inclusion: Principles and Report on Innovative Financial Inclusion from the Access through Innovation Sub-Group of the G20 Financial Inclusion Experts Group, May 2010. Available at: [http://www.gpfi.org/sites/default/files/documents/Principles%20and%20Report%20on%20Innovative%20Financial%20Inclusion\\_0.pdf](http://www.gpfi.org/sites/default/files/documents/Principles%20and%20Report%20on%20Innovative%20Financial%20Inclusion_0.pdf)

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## 4C – SME Finance

To improve access to financial services for the poor, the G20 created the FIEG with a Sub-Group on SME finance—responsible for identifying and scaling up successful models of SME financing—and initiated the G20 SME Finance Challenge. The G20 SME Finance Challenge was launched at the Toronto Summit as a call to the private sector to put forward its best proposals for how public finance can maximize the deployment of private finance on a sustainable and scalable basis. Following a ceremony closing the Seoul Summit, the G20 agreed to commit a total of US \$528 million through the launch of a SME Finance Innovation Fund to scale up the winning proposals.

*[The G20 should] Provide incentives encouraging the financial sector to lend to SMEs; improve awareness of the range of financing options available for SMEs.*

*(Seoul G20 Business Summit)*

In the run up to the Seoul Summit, the SME Finance Sub-Group produced a SME finance stocktaking report *Scaling Up SME Access to Financial Services in the Developing World*, which identified promising SME finance mechanisms and made recommendations focusing on three areas: i) legislation, regulation, supervision; ii) financial market infrastructure; and iii) public intervention and support mechanisms.<sup>25</sup>

In 2011, the GPFI's SME Finance Sub-Group developed a comprehensive *SME Finance Policy Guide*, which presents an extensive menu of interventions to support improved access to finance for SMEs. Its aim is to provide a roadmap for planning, assessing and implementing policy and legal measures to support SME access to finance and lay the groundwork for future country level engagement. Areas covered by the Policy Guide include the following:

- Enabling regulatory frameworks for alternative SME finance products, such as leasing and factoring; and
- Financial infrastructure, such as equity investments, insolvency regimes, credit information systems and payment systems.

The Sub-Group intends to develop a toolkit for policymakers and regulators in 2012 to help assess the impact of the Policy Guide components. In addition to the Policy Guide, the Sub-Group has identified and initiated action on three focus areas that warrant special attention: promoting access to finance for women entrepreneurs; improving access to finance for agricultural SME; and improving SME access to finance in the poorest countries.

**Awareness:** The GPFI has made progress in raising awareness, highlighting the importance of financial inclusion among policy-makers and global Standard Setting Bodies (SSBs) such as the BCBS, CPSS, and the Financial Action Task Force (FATF). A new forum, the Alliance for Financial Inclusion (AFI), which serves as one of the three implementing partners for the GPFI, has also been created to share experiences and best practices. The AFI is comprised of members from Central Banks, finance ministers and regulatory agencies in 70 developing countries.

The GPFI has been active in encouraging SSBs to further explore coordinated information sharing on the complementarities between financial inclusion and their own mandates. An expanded knowledge base of lessons learned and best practices will assist policy makers in planning reforms that promote financial inclusion, ultimately providing for a more investment-friendly environment for SMEs.

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<sup>25</sup>Scaling Up SME Access to Financial Services in the Developing World. Available at: <http://gpfi.org/knowledge-bank/publications/scaling-sme-access-financial-services-developing-world>

In its first report to the G20 leaders at the Cannes Summit, the GPFI put forward several recommendations for leaders on how to improve access to finance for SMEs. These included:

- launching the SME Finance forum as a platform, hosted by IFC, to leverage experience on SME Finance;
- laying down the foundation for future engagement at the country level; and
- acknowledging access to finance for women-owned businesses, as well as for SMEs in the agricultural sector, as critical for job creation and sustainable growth.

The report recognised that several considerable challenges remain and, therefore, called on G20 leaders to ensure that financial inclusion remains duly prioritized on the G20 agenda moving forward. Responding to this call, leaders in Cannes commended the GPFI's ongoing work, endorsed the full set of recommendations, and committed to pursuing efforts to improve financial inclusion under the Mexican G20 Presidency.

## G20 Score: SME Finance (4C)

### PASS

#### Score Criteria

Recognition	✓
Action	✓
Adequacy	✓

SME access to finance lies at the heart of the G20's Financial Inclusion agenda. The work done by the FIEG, and subsequently by the GPFI Sub-Group on SME Finance, has been extensive. Although it is difficult to measure tangible progress, the numerous reports and initiatives—particularly the *SME Finance Policy Guide*—provide governments and business alike with a smorgasbord of options and recommendations on how to increase SMEs' access to finance. Similarly, the Sub-Group's efforts in raising awareness—and the importance of SME finance/financial inclusion among policy makers and global SSBs—ensures that the issue remains on the global agenda.

## 4D – Promote the value of IP

All aspects of Intellectual property (IP) are remarkably absent from the G20's agenda. In fact, there are no mentions of IP in any of the Leaders' Statements. The issue is similarly non-existent in reports prepared by the G20's FIEG and the GPFI.

*[The G20 should] Promote the value of intellectual property (IP) to help SMEs assess the effectiveness of their IP as the basis of innovative, creative, and economic activity.*

(Seoul G20 Business Summit)

## G20 Score: Promote the value of IP (4D)

### INSUFFICIENT

#### Score Criteria

Recognition	✗
Action	✗
Adequacy	✗

Although the FIEG and GPFI's reports include several references to mobile banking, and emphasize the benefits improved communications infrastructure could have on achieving universal financial inclusion, the issue of IP—a cornerstone of these technologies—is remarkably missing. The G20 has not met the business community's recommendation.

## 4E – Create an enabling legal framework to favour SMEs

The *G20 Financial Inclusion Action Plan*, launched at the Seoul Summit, includes a commitment to “support private sector efforts by encouraging the establishment of an enabling and proportionate legal and regulatory environment, strong financial infrastructure, effective government support mechanisms (where appropriate) and innovative modes of public-private cooperation.”

*[The G20 should] Create an enabling legal, regulatory and financial framework to favour SMEs, such as rationalizing tax schedules.*

*(Seoul G20 Business Summit)*

To achieve this goal, the GPFI launched three Sub-Groups: SME Finance, Financial Inclusion Principles and link with Standard-Setting-Bodies, and Data and Measurement. Building on work done by the FIEG, the Sub-Groups have prepared several reports within their respective areas on how to support legal, regulatory and financial frameworks that favour SMEs.

Regarding taxes, the 2010 report, *Scaling-Up SME Access to Financial Services in the Developing World*, found that the heavy regulation and high tax rates were two of the non-financial components of the business environment that SMEs most frequently rate to be major obstacles. To address this concern, the report stated: “adjustments to administrative approaches and/or policy to reduce the tax compliance costs for SMEs are thus called for.” Examples of successful tax initiatives to support SMEs are highlighted in the report, such as, the Colombian government’s program Banca de las Oportunidades (Opportunities Bank). Within the program, transactions between banks and their agents are exempt from tax. Such exemptions avoid a double tax that would likely render doing business through agents unprofitable, or simply be too cumbersome for either agents or banks to process.

The SME Finance Sub-Group’s *SME Finance Policy Guide* has also examined regulatory frameworks for alternative SME finance. The Policy Guide recommends that governments review tax legislation and establish tax frameworks for entrepreneurs and institutional investors to enable and stimulate investment in productive risk-taking activities through private equity and venture capital.

### G20 Score: Create an enabling framework to favour SMEs (4E)

#### PROGRESS

##### Score Criteria

Recognition	✓
Action	✓
Adequacy	✗

The *G20 Financial Inclusion Action Plan* recognizes the business community’s call for the creation of an enabling legal, regulatory and financial framework that supports SMEs. The GPFI’s Sub-Group’s reports, which identify best practices and support further development, are important steps and create valuable tools for governments interested in advancing their financial inclusion agenda. Reports have examined various models of SME taxation, identifying successful models and providing general recommendations; however, this subject has not been explored in-depth. Considering that high tax rates are one of the components of the business environment that SMEs most frequently rate to be major obstacles, the business community encourages the GPFI to intensify its work in this area.

# Chapter 6: Other issues

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## The G20's Employment Agenda

Employment and labour reforms came onto the G20's agenda at the London Summit as leaders recognised the human dimension to the crisis and pledged to "support employment by stimulating growth, investing in education and training, and through active labour market policies, focusing on the most vulnerable." Leaders tasked the International Labour Organisation (ILO) to assess G20 actions taken and initiatives required for the future. The ILO has since become an increasingly integral partner in the G20's employment agenda.

To maintain a focus on labour policies and assess the evolving employment situation, the U.S. chair of the Pittsburgh Summit called on the G20's labour and employment ministers to meet for the first time as a group in 2010. Employment would remain high on the G20's agenda at the Toronto and Seoul Summits. Echoing the Pittsburgh Declaration, leaders in Seoul committed "to put jobs at the heart of the recovery and to provide social protection and decent work and also to ensure accelerated growth in low income countries."

The G20's labour and employment ministers convened for a second time in 2011 to discuss concerns of the global economy entering a new and deeper employment recession. Emphasizing the need to address the immediate unemployment challenges, leaders at Cannes Summit agreed on an *Action Plan for Growth and Jobs* and established a *Task Force on Employment*, with an initial focus on the pressing issue of youth unemployment. The Task Force will provide input to the third G20 Labour and Employment Ministerial Meeting to be held under the Mexican Presidency in 2012.

### Steps being taken

The G20 has made significant efforts to coordinate international engagement and ensure coherent policy advice and programme support. In particular, the convening of employment and labour ministers and the creation of a specific Task Force on employment at the Cannes Summit will help support exchange of mutual experiences, best practices and policy responses to employment challenges faced by G20 countries.

The G20 has also taken the lead in creating effective unemployment, welfare and social protection systems. Noting the Social Protection Floor Advisory Group's 2011 report, *Social protection floor for a fair and inclusive globalization*, leaders in Cannes emphasized the importance of investing in nationally determined social protection floors in all G20 countries. They also recognised social protection's role in fostering inclusive and resilient growth in developing countries.

## The G20's Food Security Agenda

Food security was first introduced to the G20's agenda at the Pittsburgh Summit, where leaders pledged to improve access to food for the poor. In response to this appeal, the G20 launched the *Global Agriculture and Food Security Program* (GAFSP) at the Toronto Summit, with the World Bank set as trustee. Recognizing the existence of agricultural productivity gaps—particularly in Africa—leaders in Toronto committed to accelerate agriculture research and development and explore the potential of innovative, results-based mechanisms to harness private-sector creativity and resources. The G20 also endorsed the L'Aquila Food Security Initiative, which came into effect at the 2009 G8 Summit, and called for full implementation and application of its principles. Food security climbed further up the G20's agenda in Seoul, where it was one of the nine key pillars in the Seoul Summit's *Multi-Year Action Plan on Development* dedicated to food security.

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Upon request by the French chair of the Cannes Summit, the G20's agriculture ministers and major international organizations with responsibility for food security met for the first time in 2011. The agriculture ministers considered several interagency reports commissioned by G20 leaders at the Seoul Summit and adopted a comprehensive *Action Plan on Food Price Volatility and Agriculture*. The Action Plan was later endorsed by the G20 at the Cannes Summit. The Mexican presidency has committed to tackling food price volatility as one of its top five priorities, ensuring that food security will remain high on the G20's agenda.

### **Steps being taken**

The issue of food security is both complex and pressing. A 70% increase in world food production by 2050 will be needed to feed the 9 billion men and women who will populate our planet; 90% of this increase needs to take place in developing countries. Recognizing this enormous challenge, the G20 launched several specific initiatives in 2011, including the *International Research Initiative for Wheat Improvement (IRIWI)*, the *Agricultural Market Information System (AMIS)* and the *GEO Global Agricultural Monitoring Initiative*. In addition, a first G20 Conference on Agricultural Research for Development was held in Montpellier 12-13 September 2011, and the G20 seminar on Agricultural Productivity Re-Energizing Global Agricultural Productivity was held in Brussels on 13 October 2011.

Leaders have also emphasized the need for sustainability in agricultural investments, encouraging all countries to support the Principles of Responsible Agricultural Investment (PRAI). Addressing the most vulnerable, leaders in Cannes committed to removing food export restrictions and extraordinary taxes on food purchased for non-commercial humanitarian purposes. Leaders also agreed not to impose such restrictions in the future.

# Chapter 7: Conclusions

- ICC has developed the *ICC Scorecard* as a means to compare global business recommendations with G20 commitments and directives conveyed in Summit Declarations since Washington. The overall G20 score across 54 business recommendations<sup>2</sup> in the four policy groups evaluated here is “Incomplete.”

Overview of all topics	Score
(1) Trade and Investment	Incomplete (1.0)
(2) Green Growth	Incomplete (1.4)
(3) Transparency and Anti-Corruption	Incomplete (1.0)
(4) Financing for Growth & Development	Progress (2.0)
<b>Overall Score</b>	<b>Incomplete (1.4)</b>

- This score is perhaps somewhat intuitive given the protracted nature of global policymaking and the limited time for appreciation of and response to business contributions. As an overall average, this score masks the outlying high scores that the G20 has achieved in the various policy areas, such as encouraging the favourable treatment of trade finance, promoting energy efficiency and advancing the climate change agenda, reinforcing global anti-corruption mechanisms and shepherding the production of tangible tools to create enabling SME policy environments. However, this works both ways, concealing 8 “insufficient” scores at the level of policy areas. By definition, the *ICC G20 Scorecard* is “a policy tool to identify deficiencies that merit greater attention.” In this light, the overall score reveals that marginal new achievements in Financing for Growth & Development (e.g., promoting the value of Intellectual Property) and in Green Growth (e.g., promoting free trade in environmental goods and services) could result in a score upgrade. Likewise, G20 leadership to break the stalemate in WTO negotiations or to build a multilateral framework for investment would be reflected in a significantly higher score.
- In summary, the overall score suggests that the G20 is responding to the calls of business, but that additional time, a broader and more comprehensive work programme, and greater global cooperation are necessary to address the considerable challenges that remain.
- The purpose of the *Scorecard* is to generate a balanced and reliable measurement of the G20’s performance in response to business recommendations that have been put forward to Heads of Government. The listing of recommendations and responses per issue area, along with the indicative scoring, is intended to provide an effective way to concentrate attention on the need to track performance and monitor progress over time. The results of the *Scorecard* serve three purposes:
  - Government authorities with better information on how their actions are interpreted by the business community are better able to establish priorities, honour commitments, gauge their own progress over time and identify deficiencies that deserve greater attention.
  - Business leaders with better information on whether the G20 has recognized business input and how it has carried through on specific business recommendations are better able to tailor forthcoming recommendations and engagement with the G20—and with national governments and intergovernmental organizations tasked with implementing G20 commitments.
  - Government and business leaders with a crisp and tangible summary of accomplishments and shortcomings can more effectively chart a roadmap for improvement and next steps and more efficiently deploy actions and resources.



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- The *Scorecard* is part of the ICC's overall agenda to establish an enduring, legitimate voice of global business and to target G20 policy development on a global scale. It is a framework by which ICC monitors G20 actions and commitments, as well as its response to business recommendations. ICC recognizes that this first edition of the *Scorecard* is a snapshot of progress at this point, and that there is more work to be done and additional areas to address. The *Scorecard* is envisioned to be a living document that evolves and with G20 developments. Subsequent *Scorecard* editions will refine the process for identifying deficiencies; provide guidance for improvement and action; and monitor progress from Summit to Summit.

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## The International Chamber of Commerce

ICC is the world business organization, a representative body that speaks with authority on behalf of enterprises from all sectors in every part of the world.

The fundamental mission of ICC is to promote open international trade and investment and help business meet the challenges and opportunities of globalization. Its conviction that trade is a powerful force for peace and prosperity dates from the organization's origins early in the 20th century. The small group of farsighted business leaders who founded ICC called themselves "the merchants of peace."

ICC has three main activities: rule setting, dispute resolution, and policy advocacy. Because its member companies and associations are themselves engaged in international business, ICC has unrivalled authority in making rules that govern the conduct of business across borders. Although these rules are voluntary, they are observed in countless thousands of transactions every day and have become part of the fabric of international trade.

ICC also provides essential services, foremost among them the ICC International Court of Arbitration, the world's leading arbitral institution. Another service is the World Chambers Federation, ICC's worldwide network of chambers of commerce, fostering interaction and exchange of chamber best practice. ICC also offers specialized training and seminars and is an industry-leading publisher of practical and educational reference tools for international business, banking and arbitration.

Business leaders and experts drawn from the ICC membership establish the business stance on broad issues of trade and investment policy, as well as on vital technical and sectoral subjects. These include anti-corruption, banking, the digital economy, telecommunications, marketing ethics, environment and energy, competition policy and intellectual property, among others.

ICC works closely with the United Nations, the World Trade Organization and other intergovernmental forums, including, the G20.

ICC was founded in 1919. Today, it groups hundreds of thousands of member companies and associations from over 120 countries. National committees work with ICC members in their respective countries to address their concerns and convey to their governments the business views formulated by ICC.

For information on how to join ICC, visit the ICC website ([iccwbo.org](http://iccwbo.org)) or contact the ICC Membership Department in Paris.



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