

# G20

TURKEY: THE ANTALYA SUMMIT

NOVEMBER 2015

MUNK  
SCHOOL  
OF  
GLOBAL  
AFFAIRS

G20 Research Group

UNIVERSITY OF  
TORONTO

**Recep Tayyip Erdoğan**

Turkey's President on inclusiveness

**Building stronger economies**

Viewpoints on boosting growth and reducing inequality

**Transformational policies**

Measures for better jobs and sustainable development



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## Design and production

**Art Editor** Morwenna Smith; **Production and Distribution Manager** Elizabeth Heuchan

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62-68 Rosebery Avenue, London, EC1R 4RR, UK

**Tel:** +44 (0) 20 7650 1600

**Fax:** +44 (0) 20 7650 1609

**Twitter:** @g7\_g20

In cooperation with



The G20 Research Group  
Munk School of Global Affairs and Trinity College  
University of Toronto  
1 Devonshire Place, Room 209N  
Toronto ON M5S 3K7  
Canada  
**Tel:** +1 416 946 8953  
www.g20.utoronto.ca

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# An agenda of inclusiveness

— Turkey has placed inclusiveness at the centre of its G20 presidency, maintaining a focus on the issue throughout 2015 and reaching out to Low Income Developing Countries, writes **Recep Tayyip Erdoğan, President of the Republic of Turkey**

**T**he Group of Twenty (G20), representing 85% of the world's economy, 75% of the world's trade and 65% of the world's population, is an important platform for collaboration at the global level. The measures taken by the G20 at the leaders' level since 2008 have been instrumental in countering the effects of the global financial crisis and especially in enhancing the resilience of the global financial system.

On the occasion of the G20 Turkish Presidency, I am delighted to host the 10th G20 Leaders' Summit in Antalya on 15-16 November 2015.

The primary objective of the G20 is enabling strong, sustainable and balanced growth. During the G20 Turkish Presidency, we have incorporated inclusive growth into these main goals. This was mainly because of our belief that the G20 should contribute to efforts to address rising inequalities, as well as injustices in various areas.

Upon taking over the G20 Presidency on 1 December 2014, in line with our motto of 'collective action for inclusive and robust growth', we announced our priorities as 'Inclusiveness', 'Implementation', and 'Investment', namely the three 'I's. At approximately 60 meetings we have hosted during this period, special emphasis was placed on inclusiveness.

During our G20 Presidency, we organised outreach activities for non-G20 countries, especially for the Low Income Developing Countries (LIDCs), and have taken steps towards strengthening the interaction between them and the G20.

Having held a meeting of energy ministers for the first time in G20 history, we have raised awareness of the situation facing 620 million people in sub-Saharan Africa who do not have access to electricity. On the margins of this historical meeting held in Istanbul, we also organised the High-Level Conference on Energy Access in Sub-Saharan Africa, which brought together the G20 energy ministers and the African energy ministers, along with private sector representatives. The G20 Energy Action Plan: Voluntary Collaboration

on Energy Access, with a special focus on the sub-Saharan region, was adopted during the G20 Energy Ministers' Meeting. In doing so, we also contributed to the formulation of a collective policy for the region and facilitated collaboration between the sub-Saharan African countries and the G20.

By putting food loss and waste on the G20 agenda, we spearheaded efforts in building a platform for these issues. Taking into consideration that food loss and food waste amount to \$1 trillion annually, we focused on issues such as food security, as well as on developing economically, socially and environmentally sustainable food systems. We hosted the G20 Agriculture Ministers' Meeting for the second time in G20 history and hence have ensured the adoption of the G20 Action Plan on Food Security and Sustainable Food Systems.

In line with our priority of addressing rising inequalities, as well as ensuring that disadvantaged groups such as women and youth receive a greater share from the increasing economic wealth, we have established 'Women 20' (W20) as an official G20 engagement group. W20 aims to contribute to achieving the target adopted in Brisbane last year to reduce the gap between males and females in labour force participation rates by 25% by 2025. In doing so, we have taken an important step towards achieving the target of adding 100 million extra women into the labour force by 2025 and removing the existing barriers confronting them.

## Youth integration

Furthermore, we have worked hard this year to ensure a more efficient integration of youth, which make up the most dynamic yet the most unemployed section of our societies, into the labour market. Thanks to these efforts, we were able to reach consensus among G20 members to reduce the share of young people who are at most risk of being permanently left behind in the labour market by 15% by 2025.

We also led efforts to establish the World SME Forum in Istanbul in collaboration with the International Chamber of Commerce in order to ensure the integration of SMEs into the global economy and to provide them with a stronger means to express their views globally.

We have placed our 'Inclusiveness' priority at the centre of all these activities in order to steer the power of the G20 platform towards addressing global and national inequalities, as well as improving the lives of people across the world.

During the G20 Turkish Presidency, we have also carried out efforts to implement progress on the growth target that was adopted during the Australian Presidency. Achieving an additional 2.1% growth by 2018, which will mean an additional \$2 trillion for the global economy, is a highly valuable concrete target in terms of both global economic stability and development. By presenting a report for the leaders at the Antalya Summit that will set a concrete timetable of how these growth strategies will be implemented, we will be able to demonstrate that we are committed to following up on our targets.



Another issue that has emerged as a matter of urgency in this period is the growing need for infrastructure investment. The global infrastructure investment requirements until 2030 are estimated to be \$70 trillion to \$90 trillion. Developing countries need infrastructure investment of up to \$1.5 trillion annually in order to achieve their sustainable development goals. In order to meet these needs, a novel platform for action and collaboration needs to be established.

It is vital for private and public sectors to collaborate in order to meet the financing needs of global infrastructure investments. Our experience in Turkey over the past 12 years has shown that an extremely productive collaboration between public and private sectors is possible. Taking this experience into consideration, we believe that setting up a similar system on a global scale may be beneficial.

In this regard, during the G20 Turkish Presidency, we have asked the G20 members to develop concrete and comprehensive investment strategies. These strategies aim at improving the investment environment as well as increasing the efficiency of public-private partnerships and expanding the financing opportunities.

Despite the progress we have made so far, we currently face a considerable challenge that threatens the steps we take as the Group of Twenty, as well as our efforts to enhance global economic stability. Today,

the humanitarian plight unfolding in Syria before the eyes of the global political and economic community is affecting global stability and security. This war, which needs to end immediately, has caused more than 12 million people to be internally displaced and forced almost five million people – 2.5 million of whom are in Turkey – to seek refuge in neighbouring countries. Turkey, having opened its borders to Syrian refugees from the onset of the crisis, has spent \$8.2 billion taking care of them, thus demonstrating a humanitarian and moral stance. Unfortunately, the innocent Syrian people who are being targeted by the barrel bombs and chemical weapons of the regime, as well as by the ruthless terror organisations, are the ones who are having to pay the price for the gridlock in the international system. In this context, at the Antalya Summit we will address both the refugee crisis and the issue of terrorism, which threatens global peace and stability.

At the end of the year, we will hand over the G20 Presidency, which we took over from Australia, to China. I would like to extend my best wishes to China for the success of its G20 Presidency and express that, during Turkey's G20 Troika membership, we will maintain close cooperation with China throughout 2016.

I would also like to take this opportunity to extend my appreciation to the G20 Research Group for preparing this special edition on Turkey's G20 Presidency. ■

President Recep Tayyip Erdoğan says the war in Syria needs to end immediately









# Now is the time to assess progress and focus on key issues

— The work of the G20 has a global impact, and the Antalya Summit is an opportunity to refocus the group's agenda, implement policies and promote inclusive economic growth, writes **Enrique Peña Nieto, President of Mexico**

**A**ccounting for nearly 85% of the world's output, 80% of international trade and more than two thirds of the globe's population, the G20 countries bear a shared responsibility to ensure financial stability and foster economic growth. After the global financial crisis of 2008-09, G20 members pledged to take action to revive economic activity and generate quality jobs. Mexico is committed to this agenda and embraces the priorities of the Turkish presidency: investment, inclusion and implementation.

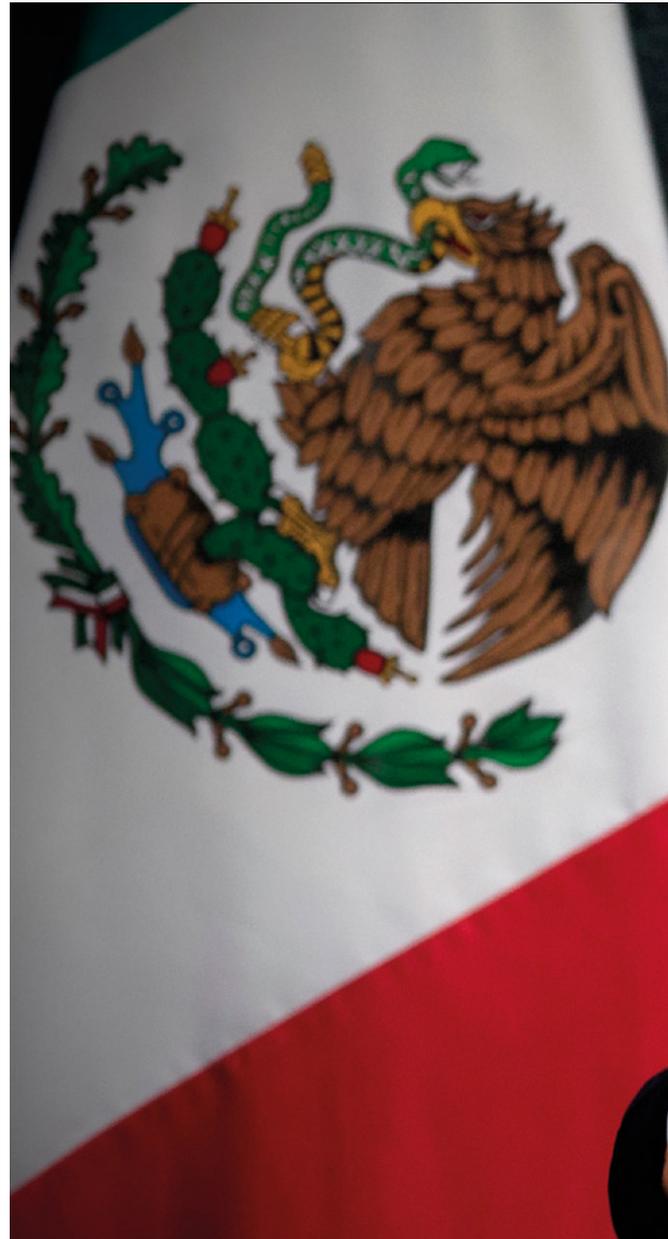
As Co-chair of the G20 Investment in Infrastructure Working Group, Mexico has promoted the adoption of country-specific strategies to improve private investment and the management of public-sector capital expenditure.

Our Congress passed a comprehensive fiscal reform to simplify the tax system, increasing compliance and raising revenues by 3% of our gross domestic product. This measure will translate into an adequate provision

**In a closely interconnected world, our countries cannot dismiss the role of developing countries in achieving sustainable and resilient economic growth**

of resources for education, science and technology, social security and infrastructure.

The energy reform – a cornerstone of Mexico's deep transformation – updates our constitutional framework to allow private investment, as well as to boost technological change and competition in this strategic sector.



Furthermore, the National Infrastructure Programme, aimed at increasing the coverage and quality of infrastructure through public-private partnerships – among other possible schemes – comprises more than 700 projects to be developed within the next few years, and has an estimated investment value of more than \$500 billion.

## **Policies for stability and growth**

In a closely interconnected world, our countries cannot dismiss the role of developing countries in achieving sustainable and resilient economic growth. We must generate conditions for small businesses to thrive and policies to tackle serious challenges.

For that reason, I proposed two major initiatives that have been approved and are already being implemented. While the economic competition reform is eliminating entry barriers and levelling the field for all actors – particularly for small and medium-sized



XINHUA/ALAMY STOCK PHOTO

enterprises – the financial reform is granting access to cheaper credit for Mexican entrepreneurs.

At the same time, I am convinced that the G20 can significantly contribute to enable women's full and equal participation in the labour market – a commitment of last year's Brisbane Summit – and to allow them to reach decision-making positions in both the public and private sectors.

Last but not least, we must focus our attention on the full implementation of previous commitments. The G20 has already developed a critical mass of policies for stability and growth, as well as mechanisms to follow up on their execution. We have to monitor progress, adjust where necessary and adapt our strategies to continuously changing circumstances.

For instance, despite the G20's standstill commitment, global trade – a powerful engine of economic growth – has been lethargic for years. In this scenario, Mexico is a strong advocate of free

trade: 11 agreements with 46 countries, total trade worth \$800 billion and the recently agreed Trans-Pacific Partnership make us one of the most open economies of the group.

G20 members have to continue working together to effectively oppose protectionism, facilitate commercial exchange and strengthen the multilateral trading system.

#### **A refocused agenda**

The year 2015 has been a difficult one for the world economy, marked by historically low commodity prices, economic slowdown and volatility in financial markets, brisk currency fluctuations and heightened risk aversion. Now is the time for the G20 to assess the progress achieved so far and to refocus on the key issues of the agenda, by enabling policy coordination and promoting strong, balanced and inclusive economic growth. ■

Mexican President Enrique Peña Nieto says that the G20 must ensure its previous commitments are fully implemented

# Building a better platform for international SME growth



**Joe Carr**

Global Leader of SME Advisory Services, Mazars

One of the key messages to come out of the 2008 financial recession was the need for business to focus on long-term economic growth and financial stability by adopting a business model that not only enhances performance, but also has a positive impact on society.

Small to medium-sized enterprises (SMEs) have been particularly hard hit by the weak economic environment. Yet employing more than 65% of the global private-sector workforce and accounting for 52% of total gross value added,<sup>1</sup> SMEs deserve an increased level of support by government, trade bodies and trusted financial advisors on the particular challenges they face.

One of the main challenges facing SMEs is the ability to participate in global markets. Access to global value chains is a crucial component of growth, yet many SMEs find themselves excluded. In particular, lending restrictions following the financial recession have meant SMEs have seen access to finance curtailed, which has in turn acted to put up barriers to entry.

## Breaking barriers to inclusiveness

The challenge to improve global market participation and access to finance for SMEs is among a set of policy recommendations put forward in 2014 by the Business 20



**Fabrice Demarigny**

Global leader of Capital Markets, Mazars

(B20), which brings together the key business associations of the G20 countries. Designed to remove obstacles that SMEs are facing, initiatives include improving the transparency and availability of data on SMEs, which will help reduce the risk associated with lending to SMEs.

A realignment of the regulatory and capital market landscape to allow SMEs greater freedom to participate in global markets is a key element of change required. The development of tailored financial instruments such as loan guarantees as well as a review of transaction laws and the encouragement of equity finance will help provide a firmer footing for SMEs to operate more effectively.

Perhaps **the biggest challenge is to support SMEs embarking on an international expansion programme.**

Access to local market information, protecting rights and compliance with international labour, social, environmental and quality standard laws can add to the complexity and costs SMEs face. Therefore, greater technical assistance and advice on how SMEs can deal with these issues is an essential plank in policy recommendations now on the table.

Importantly, the initiatives focus on collaboration and long-term economic growth. Championing the creation of a World SME Forum specifically set up to

cope with some of the unique problems experienced by SMEs is another fantastic step in the right direction. Not only will the Forum act as a conduit to highlight what SMEs need, but it will also provide wider access to training programmes that specifically address the skills SMEs require.

Reforming the landscape in which SMEs operate is without doubt an ongoing process. New research, continued debate and participation in legislation and regulatory change, as well as the formulation and adoption of new financial tools that both harness and develop SME growth, should be welcomed. The more practical and public information that is made available on how the SME sector functions can only help to shed further light on the particular constraints SMEs experience, as well as how they can overcome such hurdles.

## Achieving a sustainable balance

Research shows that SME success is not solely about removing market barriers, but also about how they react to any change in the operating market environment.<sup>2</sup> Europe has been particularly hard hit by the global economic downturn, so it is useful to look at how SMEs in Europe are reacting, particularly as half of SMEs in terms of both number and employment across the European Union are involved in three sectors that are heavily reliant on domestic demand – construction, wholesale and retail, and accommodation and food services. Where domestic demand in these sectors has stagnated, many SMEs find themselves operating in a very competitive space where organic growth is now difficult.

The statistics suggest the need for some tough choices. As well as repositioning a product or service offering, consolidation with other SMEs to achieve economies of scale at regional or national level should be a viable consideration. Not least by improving access to credit, which tends to favour larger organisations. Although, it is important



to recognise that there is often a trade-off between size and the inherent agility to react quicker to fast-changing market and customer requirements – the trademark of SMEs. Not only does this enable SMEs to make decisions quicker than larger firms, it also means that they have often developed stronger personal relationships with their clients, which is an important ingredient for better business in society.

Better access to finance is a key agility factor for SMEs. In addition to access to credit, funding through capital markets should be a priority for policymakers. This can be achieved by encouraging angel investment, venture capital and private-equity investment with appropriate tax incentives, pooling of investment vehicles and by making disclosure and other regulatory requirements for smaller firms more proportioned to facilitate greater issuance and trading of SME debt and equity. The forthcoming European Capital Market Union has clearly identified alternative SME funding and the creation of a ‘funding escalator’ as its top priorities.

Getting the balance right is, therefore, key. **Rather than simply bigger being better, the more useful lesson to learn is that SMEs should be the “right size”.** So if a company is staying small, it needs to

ensure it maintains a niche focus and that it is deeply rooted in supply chains and the wider ecosystem to ensure the benefits of critical mass can be leveraged. This may involve outsourcing non-core activities and developing strong partnerships with others as an alternative to internal organic growth.

Linking with important sectoral clusters and ecosystems to enhance value chains and remain abreast of sectoral innovations and best practice is one way of staying ahead. At a national level, the SME sector may need to be treated, to some extent, as a numbers game. Certainly, if a significant portion of SMEs are forward-looking, developing and entering foreign markets, this will help to build scale within the SME sector.

### Global lessons

Certainly, more in-depth analysis on the SME sector will help towards the formulation and adoption of high-level principles such as beneficial ownership transparency. Transparency around ownership and control of companies is a key issue in the battle against corruption, money laundering and tax evasion. Getting a consistent cross-border approach to beneficial ownership transparency, whereby there is agreement on benchmarking and compliance standards, will help simplify

and reduce the burden experienced by businesses, particularly SMEs.

Governments, trade bodies and professional firms such as Mazars now have an important role to play in raising awareness of the strategic challenges facing SMEs. **Key to this will be having the will and expertise to promote and participate in effective regulation, trust and transparency, so that businesses have the capacity, on a global scale, to change for good.**

1. The Association of Chartered Certified Accountants (ACCA)
2. Mazars’ survey – ‘How to be a standout SME’

*Mazars is an international, integrated and independent organisation, specialising in audit, accountancy, tax, legal and advisory services. As of January 1 2015, Mazars and its correspondents operate across 92 countries. They draw on the expertise of more than 14,000 professionals to assist major international groups, SMEs, private investors and public bodies at every stage of their development.*

# As the world changes, so too must the G20

— **Jean-Claude Juncker, President of the European Commission**, says that the G20 must meet the changing demands and new challenges that countries around the world collectively face today

**T**he G20 was invaluable in restoring fairness and order to the global financial system at a time when it was collapsing. We have shown that when it comes to resolving an acute crisis, the G20 can agree to strict measures to repair the global economy.

But we should not congratulate ourselves too much. Being good at crisis management does not mean we are good at preventing crises. While we have known what is necessary at the worst of times, we should also know what must be done in better times.

Recently, markets reminded us of their volatility as stocks tumbled in the Chinese share market. The World Bank has revised its global growth expectations for 2015 from 3.2% to 2.8%. While growth may fall short of expectations, the G20 should make sure it can nonetheless gain speed. That is why we need to implement the G20 growth strategies agreed at the 2014 Brisbane Summit, prioritising investment, employment, competition and trade. This is the G20's core business as the premier forum for international economic cooperation.

But as the world around us changes, so too must we. We must go beyond core business, as we face a combination of interconnected challenges, from an investment gap to unemployment to an increasingly hostile climate. To borrow the words of this G20's Turkish presidency, we need investment, implementation and inclusiveness.

It is music to my ears that we have made investment a top priority in Antalya. Without investment we cannot expect a true economic recovery, as our healthcare would fall behind, our broadband networks would remain below par, our transport systems outdated, and the list goes on. That is why I have made it my priority as President of the European Commission to conceive a comprehensive investment plan for Europe

in partnership with the European Investment Bank (EIB), including an investment fund pooling public and private capital, technical support and a projects portal.

With the help of the EIB, a series of worthy projects – from research into life-saving plasma medicines to investment in onshore wind farms, healthcare centres in rural Ireland and new gas pipelines in Spain – has been given financial backing. These investments will not only create jobs and boost small and medium-sized enterprises, but they will also lay the economic infrastructure for sustainable growth – one brick, one wind turbine and one pipeline at a time.

The G20 has successfully pushed its members to address an investment lag. It has also called on its membership to address tax evasion and tax fraud. This work is reaching its moment of truth. And for that we need the second 'I' of implementation.

## Joint action on tax evasion

The fight against tax evasion and tax fraud is very high on the EC's agenda. It has launched major initiatives this year, with the Tax Transparency Package presented in March and the Action Plan for Fair and Efficient Corporate Taxation in June. G20 leaders tasked the Organisation for Economic Co-operation and Development to help fight tax fraud with its Base Erosion and Profit Shifting (BEPS) project, an initiative of undeniable merit, now reaching its final phase at the end of this year.

Tax is an area where joint action is essential. G20 leaders have a crucial responsibility to implement the conclusions from the 15-point BEPS Action Plan. They also have a responsibility to involve developing countries. Tax evasion is an even greater concern in developing countries, draining resources that should be financing investment in infrastructure, health and education.

In addition, at the last G20 summit we committed to work on the exchange of information on tax rulings. I personally pushed to have this included in the final

**Poverty, malnutrition and disease will hit the poorest. Is that a legacy global leaders wish to leave?**

communiqué in Brisbane, and in Europe we are advancing in this area. Our proposals for transparency go further than what is currently being discussed, suggesting a global scale whereby countries can spontaneously exchange such information. What we are doing on a European level should also be matched globally.

Tax revenues that are better aligned to reality will help governments address the challenges they face. And fairer taxation is about equality. Let us not forget that we have often pledged to create more equal



JACQUEMART JENNIFER/EUROPEAN UNION, 2015

societies. In the words of the Turkish presidency, we have pledged ourselves to inclusiveness.

In Europe, it is the young who have been hit particularly hard by the economic downturn. There are nearly twice as many unemployed youths than adults in Europe. To address their needs, we set aside €1 billion for the Youth Guarantee in 2014. The guarantee is structural reform at work: the scheme has attracted hundreds of disadvantaged youths per country who either get a job or remain in education and training. Policies of this nature are good investments; inaction is much more costly. Young people not in employment, education or training are estimated to cost the European Union (EU) €153 billion each year.

It is also increasingly clear that inaction on climate change will not only cost livelihoods; it will also cost lives. Land that is fertile today can become unproductive or uninhabitable. Rising sea levels can submerge regions, even whole islands or countries. Water will become more scarce, as will food. Poverty, malnutrition and disease will hit the poorest. Is that a legacy global leaders wish to leave? When addressing the European Parliament on 9 September 2015 in the State of the European Union speech, I made it clear that if the world is not serious in tackling climate change now we should not be surprised when we find climate refugees on our shores tomorrow.

That is why we must show the determination and courage for a legally binding climate change agreement in Paris that respects the below 2°C objective. The G20 should express unambiguous support for a successful agreement. We must be ready to use the forum to clear any possible roadblocks, as we meet just weeks before the Paris conference. At the G20 we have the tools to do so, with a track record of work on climate finance, for instance.

### Putting knowledge to work

The EU has tabled the most ambitious contribution so far. And we will not sign just any deal, but an ambitious, robust and binding global climate deal that will also benefit developing countries. Here, the leaders' work on climate finance will be of crucial importance.

But the real test is not whether we make pledges based upon privileged knowledge, but whether we put that knowledge to work – whether we will forge new investment opportunities, create new jobs, make good on our tax promises, push for binding climate targets and ensure we look after the poor. And we must do so both at the worst and at the best of times, as the world around us serves up new and different demands. This is the purpose of the G20 today. ■

The Turkish presidency's priority of investment is crucial, says European Commission President Jean-Claude Juncker, as without investment we cannot expect a true economic recovery

# The vital role of international finance centres in foreign direct investment



**Geoff Cook**

Chief Executive, Jersey Finance Limited

**G**lobal demand for infrastructure investment is soaring. For the perfect example, look no further than Africa. A report by research firm Capital Economics, commissioned by Jersey Finance in November 2014, found that Africa's economies have the potential to quadruple in size by 2040 – a significant transformation driven by an expected doubling of its working-age population. But in order to reap, you have to sow, and this growth requires a serious financial uplift.

In the *Value to Africa* report, Capital Economics calculates that, to achieve its full potential, Africa will need to invest \$85 trillion in its infrastructure, machinery, buildings and homes. That's 100% of the continent's current annual global gross domestic product. Current levels of investment will leave a shortfall of \$11.4 trillion, a gap that can only partially be met by domestic profits, local government and international aid – leaving \$6.1 trillion still to be found.

So, just where could this funding come from? Capital Economics posits a compelling solution – overseas investors. Africa currently receives a mere 2.7%

of the world's total stock of cross-border investment – if it attracted similar rates of inward investment as the rest of the world, that gap could easily close.

It is here that international finance centres (IFCs) such as Jersey may have a major role to play. As the financial world becomes ever-more integrated and capital increasingly needs to flow across borders from overseas investors, these IFCs offer the experience, the investment vehicles and the supporting financial services to move money around the world more easily. This serves to increase the scope and flexibility of capital and to benefit those markets, in Africa and beyond, that are hungry for growth.

And it's already happening. A subsequent Capital Economics report, entitled *Jersey's Contribution to FDI* found that total global FDI flows by corporate investors increased between 2012 and 2013, from \$1.33 trillion to \$1.41 trillion. In 2012, almost \$80 billion of foreign direct investment flowed

## An IFC like Jersey can provide a stable institutional, tax and regulatory environment

through IFCs, 6% of the world's total. It is a significant figure, but one that shows that there is vast potential for more.

### Facilitating cross-border flows

If we take the example of Jersey, we can look at the potential impact of IFCs in sourcing and hosting flows of foreign direct investment. A report by Investment Consulting Associates, commissioned by Jersey Finance and published in June 2015, found that 94 projects worldwide benefitted Jersey-originated greenfield FDI

(physical operations like manufacturing plants, distribution centres, financial shared services and regional headquarters set up from scratch) between 2003 and 2014.

These projects were located all over the world: from the European Union and the Middle East to Asia and, of course, Africa. Uganda, Mozambique, Mali, Guinea, Egypt and Senegal all boasted projects financed by FDI that originated in Jersey. These projects had a value of \$13.34bn and created more than 39,000 jobs.

To put that in perspective, if each of those jobs carried an average annual salary of \$40,000 and the investment produced a net yield of 5%, these Jersey-originated projects created an additional \$1.5 billion in personal income and \$800 million in taxable profit on capital for those countries. Assuming an average 20% income tax rate and an average rate of 10% on taxable profits, they would have gained \$445 million of tax revenues through this foreign direct investment.

That's quite a contribution – yet it may come as a surprise to anyone who has read the headlines about IFCs. Pressure groups have accused these jurisdictions, often blindly dismissed as 'tax havens', of helping large multinationals avoid paying taxes in developing countries, perhaps even facilitating immoral or illegal activity, all of which sucks capital out of such markets. African markets are already among those often criticised for offering poorly defined property rights, weak legal systems and a culture of corruption, and foreign investors

need a way to feel secure about their investments in such famously uncertain economic environments.

Yet IFCs are, in fact, among the world's most well-regulated, compliant and transparent marketplaces. Jersey, for example, has tough up-to-date legislation, a strong financial regulator with a wide remit and determined enforcement by the police. Furthermore, the island doesn't permit banking secrecy – Jersey willingly exchanges information when appropriate with police and other authorities, so it can detect those profiting from bribery, corruption, money laundering, tax evasion and other criminal activity.

As such, an IFC like Jersey can provide a stable institutional, tax and regulatory environment for these much-needed cross-border transactions. And by using the investment vehicles of IFCs to manage their foreign direct investment, companies can reduce the risks of transferring assets across borders – particularly when looking to invest in countries that are less stable.

Look again at the example of Africa. The continent needs better governance of its broader economy if it wants to attract more interest in its equity markets. There is a clear role for well-regulated IFCs such as Jersey not just to protect investors, but to assist African countries in improving governance and structuring to protect African wealth through providing access to capital markets, expertise and experience, efficient cross-border investment pooling and effective and robust regulation. As such, IFCs offer a potentially crucial contribution to the economic growth that Africa needs.

**Transparency and regulation**

What's true for Africa also goes for any area – developed or developing – that is seeking foreign direct investment. So what should an investor looking to explore overseas investments look for in an IFC? There are a handful of key factors. The centre has to be an easy place to do business, be fiscally sound, have strong but flexible regulation, have a good reputation and be transparent.

Jersey, for example, has been at the forefront of global finance for more than 50 years and it is easy to do business with the island – it is close to the leading global financial centre of the City of London, it is in the Greenwich time zone, which overlaps the American and Asia-Pacific time zones, and it boasts sophisticated IT and communications infrastructure, good air links to the UK and Europe, and a native English-speaking labour force of

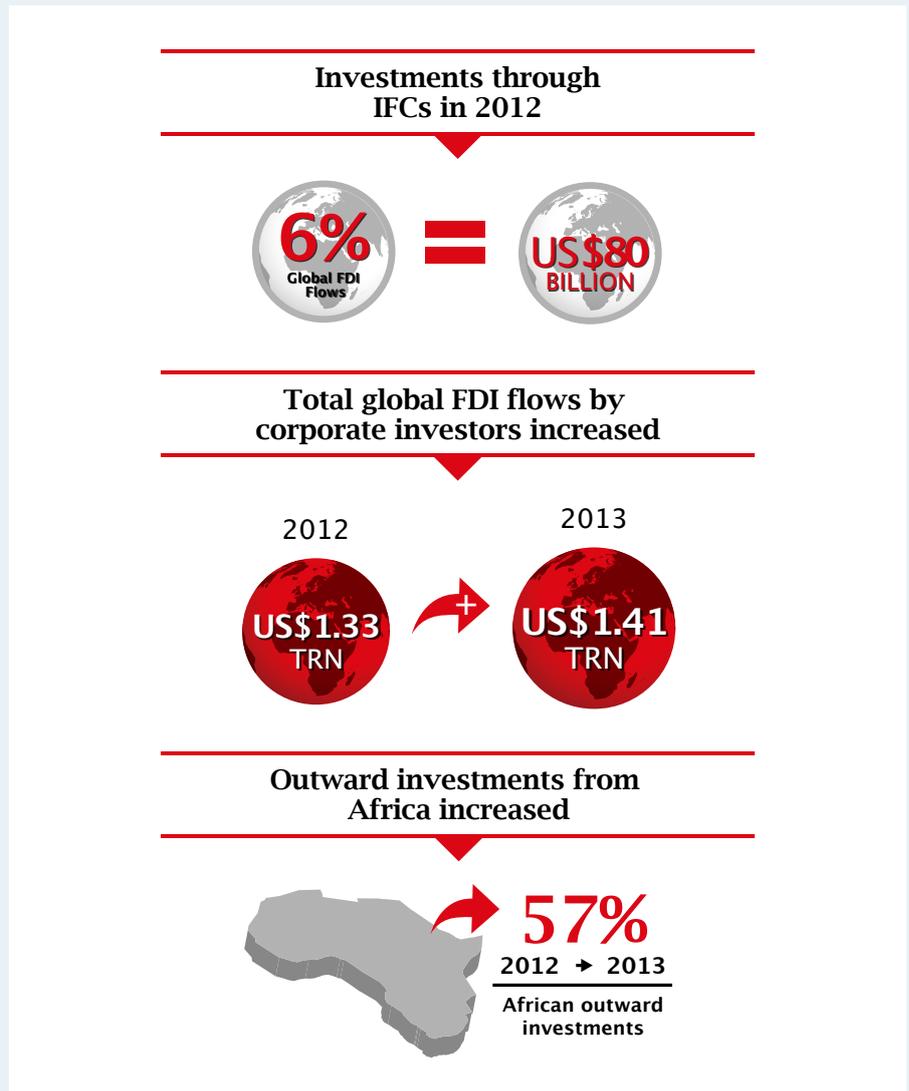
more than 12,700 highly skilled finance industry professionals.

Meanwhile, as it is in a currency union with the UK, Jersey offers a stable and relatively risk-free financial environment. Its robust regulations are flexible enough to allow new businesses and investment vehicles to emerge as markets change, and it boasts a vast pool of global providers in banking, trusts, asset and fund management, wealth management, capital markets and insurance.

It is also tax neutral, making the island an ideal location for pooling funds from investors across the globe. Finally, it treats tax evasion as a crime and it requires its financial services providers to declare any suspicious transactions. It should come as no surprise then that the Organisation for Economic Co-operation and Development (OECD), the international body with a remit to promote policies that improve the economic and social well-being of people around the world, has

acknowledged Jersey's place at the vanguard of international moves on tax transparency.

Foreign direct investment could provide a crucial boost to developing nations seeking to reach their true potential. IFCs can enable this much-needed growth in cross-border investment, adding considerable value to the global economy along the way. Hence, any investor looking to explore overseas avenues, whether in developing regions like Africa or in the developed world, will find a compelling partner in an IFC with strong financial markets, high-quality services and a world-leading stance on transparency.



# Viewpoints from across the G20

— Selected quotes from some of the leaders gathering in Antalya for the 2015 G20 summit

## China | Xi Jinping



***“Development is meaningful only when it is inclusive and sustainable. To achieve such development requires openness, mutual assistance and win-win cooperation. In the world today,***

***close to 800 million people still live in extreme poverty, nearly six million kids die before the age of five each year and nearly 60 million children are unable to go to school. The just concluded UN Sustainable Development Summit adopted the Post-2015 Development Agenda. We must translate our commitments into actions and work together to ensure that everyone is free from want, has access to development and lives with dignity ... To build a sound ecology is vital for mankind’s future. All members of the international community should work together to build a sound global eco-environment. We should respect nature, follow nature’s ways and protect nature. We should firmly pursue green, low-carbon, circular and sustainable development. China will shoulder its share of responsibility and continue to play its part in this common endeavour. We also urge developed countries to fulfill their historical responsibility, honour their emission-reduction commitments and help developing countries mitigate and adapt to climate change.”***

United Nations General Assembly, 28 September 2015

## United States | Barack Obama



***“Right now, some 800 million men, women and children are scraping by on less than \$1.25 a day. Imagine that. Gripped by the ache of an empty stomach. Billions of our fellow human***

***beings are at risk of dying from diseases that we know how to prevent. Many children are just one mosquito bite away from death. And that is a moral outrage. It is a profound injustice. It is literally a matter of life and death, and now the world must act. We cannot leave people behind.”***

United Nations General Assembly, 27 September 2015

## Germany | Angela Merkel



***“The key prerequisite for successful development is and will remain peace. But millions of people – more than at any time since the Second World War – are being forced to flee war, terror and***

***violence. Their suffering is exacerbated by their lack of prospects for the future and by the destruction of their environment. Anyone who witnesses the suffering of those who have left their homes to seek protection and a future elsewhere, and who is aware of the challenge facing the countries which take in the refugees, knows that in the end there can be but one solution: we must tackle the causes of flight and expulsion.”***

United Nations General Assembly, 25 September 2015

## France | François Hollande



***“Everyone is convinced that there will be an agreement in Paris, but what accord and with what type of ambition? In Paris, it is not about signing just a text, but a text that commits us***

***for decades, that concerns all countries with a legal weighting and that every five years we can evaluate what has been done.”***

United Nations General Assembly, 27 September 2015

## Canada | Justin Trudeau



***“Canada needs to engage positively on the world stage, and our diplomacy, our cultural exchanges, our engagement in humanitarian efforts, our climate change responsibilities***

***all feed into how we’re able to engage in the kinds of trade deals that are going to bring good jobs to Canadians, that are going to create a brighter future for people because we know that export-intensive industries pay 50% higher wages than non-exporting industries.”***

Munk Debate on Canadian Foreign Policy, 28 September 2015

## South Africa | Jacob Zuma



***“Our investment in youth employment is also paying off. The Employment Tax Incentive, which was introduced last year, directed mainly at the youth, is progressing very well.***

***Two billion rand has been claimed to date by some 29,000 employers, who have claimed for at least 270,000 young people. I announced a target of six million work opportunities over five years last year for the programme. We have thus far created more than 850,000 work opportunities. This means that we are poised to meet the annual target of one million job opportunities.”***

State of the Nation Address, 12 February 2015

## United Kingdom | David Cameron



***“We need a new global partnership, to ensure that all our policies – on things like tax, trade and transparency – really help to deliver progress for the poorest.***

***The UK will lead the way on this internationally, just as we did in leading this agenda with our G8 presidency in 2013. That’s why I’ve committed to host a major Anti-Corruption Summit next year, to drive further action.”***

United Nations General Assembly, 27 September 2015

## Brazil | Dilma Rousseff



***“The IMF [International Monetary Fund] and the World Bank do not yet reflect the weight of emerging countries in their governance.”***

On the occasion of Li Keqiang’s visit to Brazil, 19 May 2015

## India | Narendra Modi



***“I am pleased that elimination of poverty in all forms everywhere is at the top of our goals. Addressing the needs of 1.3 billion poor people in the world is not merely a question of their survival and dignity***

***or our moral responsibility. It is a vital necessity for ensuring a peaceful, sustainable and just world ... The goals recognise that economic growth, industrialisation, infrastructure, and access to energy provide the foundations of development.”***

United Nations General Assembly, 27 September 2015

## Australia | Malcolm Turnbull



***“We’re looking for practical measures that work and where there’s no doubt that the – all of the advice we have suggests that the government’s policies will achieve the reductions that have been – that we’re taking to the Paris Conference of the Parties.”***

Interview with the Australian Broadcasting Corporation, 21 September 2015

XI JINPING: RICHARD DREW/AP/PRESS ASSOCIATION IMAGES; BARACK OBAMA: RICHARD DREW/AP/PRESS ASSOCIATION IMAGES; ANGELA MERKEL: MICHAEL KAPPELER/DPA/PRESS ASSOCIATION IMAGES; FRANÇOIS HOLLANDE: ANDREW BURTON/AP/PRESS ASSOCIATION IMAGES; JUSTIN TRUDEAU: MICO SMILJANIC/LANDOV/PRESS ASSOCIATION IMAGES; DAVID CAMERON: RICHARD DREW/AP/PRESS ASSOCIATION IMAGES; NARENDRA MODI: SETH WENIG/AP/PRESS ASSOCIATION IMAGES; JACOB ZUMA: SCHALK VAN ZUYDAM/AP/PRESS ASSOCIATION IMAGES; DILMA ROUSSEFF: PACIFIC PRESS/ALAMY STOCK PHOTO; MALCOLM TURNBULL: LUKAS COCH/AAP/PRESS ASSOCIATION IMAGES

# Increasing connectivity in Azerbaijan and beyond



**Fedja Hadzic**  
Chief Sales Officer, Bakcell

## How would you evaluate the role of Bakcell in the development of the ICT sector in Azerbaijan?

Bakcell has been operating in Azerbaijan for 20 years and it is one of its largest national non-oil investors. Today, we continue to make large investments in Azerbaijan's economy through state-of-the-art telecommunication technology and our people, who deliver our services.

Today, we are one of the largest employers in Azerbaijan.

Our telecommunications network and the services we provide have been a critical factor in the dynamic economic growth of the country over the past decade. This is especially significant in the development of the country's regions, where we have played an active role in supporting regional initiatives led by Azerbaijan's Government. Bakcell is one of the country's leading companies when it comes to investment, innovation and employment, contributing to the growth of Azerbaijan's ICT sector.

## The ICT sector is the second-biggest driver of Azerbaijan's economy after the oil sector and almost all big national and international oil companies operating in Azerbaijan are among Bakcell's corporate customers. What are the advantages of cooperation between the two main streams of the national economy?

Both oil and ICT industries are strategic segments in Azerbaijan's economy. Bakcell has dedicated its resources and efforts over

the years to provide the best service for the oil industry. We have learnt that in order to serve these customers, our services need to be at the highest level and our teams need to be available 24/7.

Moreover, we follow their expansion plans and we are able to provide our customers with telecommunication services wherever they need them. Often, these locations are remote and prove challenging, but we are willing to and capable of delivering these services.

The fact that we provide services to Socar and multinational companies such as BP, Haliburton or Baker Hughes means that we need to comply with the highest standards set by these organisations worldwide, which pushes us to consistently

improve our processes, network and the quality of our customer service.

There is also a clear advantage for Bakcell to cooperate with oil companies: the recognition we receive in the market for serving these large and demanding clients.

## Bakcell is positioning itself as Azerbaijan's fastest-growing mobile operator. Can you provide evidence to support this statement, for example, demonstrating how Bakcell is increasing market share and expanding its network?

Over the past five years, Bakcell has been leading the market in terms of revenue and subscriber growth. We have increased our

## About Bakcell

Bakcell, the first mobile operator and the leading mobile internet provider in Azerbaijan, offers a variety of products for modern mobile communications customers. Bakcell provides a high-quality 3G and 4G mobile internet experience under the Sür@ brand name.

As one of the largest national non-oil investors, Bakcell continues to make large investments in Azerbaijan's economy through its investments in state-of-the-art telecommunication technology and its people, who deliver services to its customers.

With more than 5300 base stations, Bakcell's network covers more than 99% of the population and 93% of Azerbaijan's land area (excluding occupied territories). Bakcell is a leader in innovation and it focuses on bringing the best of mobile internet to Azerbaijanis through new partnerships and its Sür@ services. Bakcell's 3G service is available across all regions and it covers 93% of the population. Some 250 retail outlets and 26 customer service centers operating in the capital and across regions are providing the best customer experience to Bakcell customers.

Following the success of 3G Sür@, the best mobile internet experience over the past four years, Bakcell announced the commercial launch of its 4G LTE service on 5 May 2015 under the 4-cü Sür@ brand name. 4-cü Sür@ provides faster mobile data speeds and is designed for users who want to be mobile and have access to broadband internet everywhere.

Through a long-term partnership contract, Bakcell is Manchester United Football Club's first official telecommunications and broadcast partner throughout the Commonwealth of Independent States, bringing a range of unique and exclusive content to these countries' football fans and, in particular, to Manchester United fans.

*For more information about Bakcell products and services, please visit [www.bakcell.com](http://www.bakcell.com) or call 555. For press releases, please see [www.bakcell.com/az/news](http://www.bakcell.com/az/news) (or [www.bakcell.com/en/news](http://www.bakcell.com/en/news) for press releases in English).*

*If you are not a Bakcell subscriber, but wish to find out about Bakcell and its services, please call 055 000 05 55*

subscriber base to more than three million, which represents 36% of market share.

Our long-term strategy has been to become a leading provider of mobile internet services in Azerbaijan and, today, we are meeting this objective. Bakcell has a younger subscriber base compared to its competitors and more than 60% of our customers use data services.

Our advantage is that we listen to the needs of our subscribers and we try to offer better services.

We are the first mobile operator in Azerbaijan to launch branded smartphones. We have launched two Android models: Alov and İlk, and there is high demand for both of these models.

Moreover, we believe that content is the key driver for growth in the mobile internet business. Therefore, we have partnered with Turkish-based television platform Digiturk and, starting from Q4 2015, our customers will be able to



Ilham Aliyev, President of Azerbaijan, at a Bakcell launch event

## About Fedja Hadzic

Fedja Hadzic was appointed the Chief Sales Officer of Bakcell in April 2013. Mr Hadzic has 18 years of sales, business development and strategy formulation experience in the telecommunication and IT industry at various global corporations in Eastern Europe, Asia and the Middle East.

He started his career in 1996 at Era GSM (T-Mobile venture in Poland) where he held the position of National Corporate Sales Manager. Between 1998 and 2001, Mr Hadzic worked at Dell Computer Poland as Sales Manager, where his team serviced Dell's Global Accounts.

In 2001, he joined Energis PLC (fixed line broadband operator) as Vice President of Sales, where he worked until 2005.

Between 2005 and 2011, he worked at TDCA Roshan (a AKDN and Monaco Telecom mobile venture), where he held the position of Sales Director, and from 2008 to 2011, Corporate Strategy Director.

Prior to joining Bakcell in 2011, Mr Hadzic worked as the Regional Director for the CIS and CEE Region for Emitac Mobile Solutions (EMS), based in Dubai, United Arab Emirates.

Mr Hadzic holds an MBA degree from the London Business School.

watch the most popular football games and movies on their mobile devices.

Bakcell's network is the largest in the country, with more than 5300 base stations, and it covers more than 99% of the population and 93% of Azerbaijan's land area.

In 2015, Bakcell launched a 4G network and the company is now the best and the largest 4G operator in the country, with 400 base stations covering 90% of the Baku's population.

I am pleased to say that our board of directors has recently approved the expansion of our 4G network to cover the whole Absheron peninsula. With 600 additional 4G sites by the end of Q1 2016, Bakcell will significantly outnumber competitors and will be able to provide an ultra-fast 4G network at speeds of 225 Mbps.

Finally, I would also like to mention Bakcell's customer loyalty programme, Ulduzum, to which 1.5 million of our subscribers have signed up to since its launch in 2014. Out of five finalists, Ulduzum was awarded first place by Telecoms World at the prestigious Telecoms World Middle East Awards 2015.

### How do you see the ICT sector in Azerbaijan and Bakcell's role within it over the next 10 years?

Real gross domestic product is forecast to grow at lower rates in 2015-2025, far below the double-digit growth rates of the previous decade. The consequent slower growth in hydrocarbon production could potentially hold back economic expansion. Azerbaijan's long-term economic growth

depends on the successful diversification of the economy and its ability to reduce reliance on both the energy sector and government spending.

The ICT sector – and Bakcell in particular – has a significant role to play in diversifying Azerbaijan's economic base.

Expansion of broadband internet services across regions to cover most of the country is a priority and Bakcell will continue to play a significant role.

In addition, the Government of Azerbaijan has already started making significant progress with e-services, through the introduction of electronic signatures. This trend is set to continue.

Moreover, development of e-commerce is one of the main opportunities for growth in Azerbaijan. With the increasing penetration of payment cards, and the development of payment gateways and connectivity, more and more Azerbaijani citizens will start to pay and shop online.

Finally, there is potential for Azerbaijan to serve as a hub for regional data centres, connecting countries across the region.

As for Bakcell, we will continue to be a major pillar in the ICT sector, further investing in state-of-the-art network infrastructure and developing local professional telecom talent.



[www.bakcell.com](http://www.bakcell.com)

# Forming a common strategy

— Decisions taken at the G20 Antalya Summit will be behind collective action that tackles global problems, writes **Ilham Aliyev, President of the Republic of Azerbaijan**

**T**he Group of Twenty (G20), which brings together the major advanced and emerging economies of the world, is a preferred platform for responding to pressing global challenges. Turkey's G20 presidency for 2015 has enormous significance for its regional neighbours, including Azerbaijan. In the past, Turkey paid great attention to bolstering ties within the G20 and between the G20 and other countries, and made a tangible contribution to achieving positive outcomes for cooperation. Turkey has, owing to its recent successful policies, transformed itself into one of the world's advanced countries and prominent power centres. Azerbaijan is particularly delighted by the achievements of its strategic ally and its growing role as a key guarantor of peace and stability in the region.

## Azerbaijan has followed a distinctive path of development in the 24 years since its independence

It is upon Turkey's invitation that Azerbaijan partakes in this meeting as a fully fledged member and, for that, I wish to personally extend my profound gratitude to President Recep Tayyip Erdoğan.

Azerbaijan has followed a distinctive path of development in the 24 years since its independence. The Constitution, conforming to democratic norms, was adopted, and a multi-party parliament was established in 1995. The distribution of power and democratic governance has taken place in the framework of the establishment of a state governed by law. As a result of reforms, we have managed to build a liberal economic system while extending comprehensive state support to the development of civil society institutions, together with ensuring human rights, pluralism, freedom of speech and information, and a free internet.

Today, Azerbaijan offers its own development model to the world, backed by internal stability, civil unity and solidarity in society, and an environment of peace and tolerance among the different peoples and religions living together in a liberal, sustainable and dynamic economy.

In 1994, Azerbaijan initiated the signing of the 'Contract of the Century' with companies representing leading countries for the production of the vast hydrocarbon resources of the Caspian Sea and their export to international markets. Subsequently, Azerbaijan has implemented such tremendous projects as the Baku-Tbilisi-Ceyhan oil and the Baku-Tbilisi-Erzurum oil/natural gas pipelines, which have played a substantial role in ensuring both Europe's and the world's energy security. These projects were extremely important for both the global economy and Azerbaijan's independent development, and played a unique role in cementing our country's international relationships.

### A diversified economy

Azerbaijan, having ensured its own energy security, now plays an instrumental role in providing a reliable energy supply to other countries. At present, within the Southern Gas Corridor, we are seriously involved with the transportation of the Caspian Sea's rich natural gas resources to Europe, through such transnational gas export projects as TANAP and TAP. We have already begun the construction of these projects jointly with Turkey and our European partners. The development of the Shah Deniz 2 project, which will bring the vast natural gas resources of the Caspian Sea Basin online will provide for the further continued development of Azerbaijan and contribute immensely to Europe's energy security.

Azerbaijan plays an active role in establishing transnational communication lines and transport/transit corridors with modern infrastructure within the region and beyond. Today, Azerbaijan has already become the region's transport and logistics centre. The Baku International Sea Port, commissioned in 2014, the modern international air transport system and, finally, the Baku-Tbilisi-Kars railway, to be operational in the foreseeable future, will make Azerbaijan central to the East-West and North-South transport corridors, and place it in the heart of the Europe-Asia exchange.

Thanks to its effective economic policy, Azerbaijan's gross domestic product (GDP) has grown 3.4 times; the volume of the non-oil sector and industrial production has tripled, and the share of the non-oil sector of the economy has increased exponentially in the past 12 years, reaching 68.4% based on the first eight months of 2015.

This is clear evidence that the country's economy is diversified and that its dependence on the oil sector has dropped dramatically. Since 2003, Azerbaijan's economy has attracted some \$200 billion of investments, with a substantial share from foreign investments. The economy's traditional sectors saw an overhaul, and new areas such as tourism, space and defence industries, information/communication technologies and others



MEHMET KAMAN/ANADOLU AGENCY/GETTY IMAGES

were established. Azerbaijan has joined the ranks of the space states by launching its own two satellites.

Solving social issues, improving the welfare of its citizens and increasing employment opportunities have been among the priorities of state policy. Thousands of production facilities have been established in the country's regions and 1.4 million jobs created, with one million being permanent ones, through the implementation of purpose-oriented measures. In this period, basic income has grown 6.5 times, and unemployment and poverty reduced to 4.9% and 5% respectively.

#### Addressing critical issues

Addressing the issue of food security and the reliable supply of foodstuffs through domestic production was identified as a priority. Sustainable growth in agriculture has been achieved, and the objectives in the area of food security have been largely accomplished due to the adoption and successful implementation of critical state programmes. Agriculture and food production in Azerbaijan between 2005 and 2014 has increased by 48.9% and 39% respectively.

A great deal of work has been carried out to further improve the business climate, to advocate rights and the interests of investors, and to create best practice conditions for local and foreign entrepreneurs. As a result, the share of the private sector in the national economy surged by 82%. Since 2002 until today, the National Entrepreneurs Assistance Fund has managed to issue more than \$2 billion of preferential loans to the business community, and this indicator equalled \$380 million in 2014 alone.

The external debt of Azerbaijan slightly exceeds 10% of its GDP, one of the lowest worldwide. Prestigious international economic and financial organisations and rating agencies predict a sustainable development of the Azerbaijani economy, and appreciate the measures undertaken in this respect. According to the World Economic Forum's *Global Competitiveness Report 2014–2015*, Azerbaijan advanced to 38th place among the 144 countries of the world.

Any reform implemented in Azerbaijan is led in accordance with development trends in the world economy, while being based on concrete national programmes and the application of modern

Azerbaijan's economy has attracted some \$200 billion of investments since 2003, says President Ilham Aliyev



technologies. Our country both absorbs innovations existing in the world, and acts as an initiator of the latest ones in various sectors. In this context, we can particularly underline Azerbaijan's brand: the State Agency for Services and Social Innovations to the Citizens under the President – the ASAN Service centers and all its affiliates. The ASAN Service is a modern model of public relations. It embodies a new approach to the relationship between the state and its citizens, and has a very positive effect on eliminating red tape and possible corruption. The ASAN Service practice is closely studied by other countries, and its experience is widely spread.

### Multiculturalism

Today, Azerbaijan is recognised as important in realising an independent policy in the international arena, distinguished by its principled position and contributing to the resolution of global problems. Azerbaijan constantly develops its bilateral and multilateral relations, based on equality, mutual confidence and beneficial cooperation with the world's countries and international organisations. As a result, Azerbaijan was elected to the United Nations Security Council with the support of 155 countries, and contributed to peace and security and the resolution of global problems. While hosting numerous international events, Azerbaijan fosters its status as a hub, both in the region and in the wider area. It hosted the European Games in 2015 and turned a new and interesting page in the history of sports: it will host the Islamic Solidarity Games in 2017. The organisation of both these events in a period of only two years proves that multiculturalism is well reflected in Azerbaijan.

I think that the national development strategy and the development model of Azerbaijan in these independence years offer interesting new perspectives for G20 members. I am confident that, had Azerbaijan not been in conflict with Armenia for the past 24 years and had 20% of its territory occupied, the scope of its successes would be much greater. I would like to inform you that, in those lands, an ethnic cleansing policy was carried out, together with the destruction of the social and economic infrastructure, including cultural monuments, and the emergence of one million refugees and IDPs. Unfortunately, during this period, the international community failed to demonstrate its resolve in the resolution of this conflict, while the decisions and resolutions of the world's leading international organisations, including the UN Security Council, were not implemented and the norms of international law were not respected.

At the same time, the conflicts and civil confrontations created in post-Soviet territories, as well as in the Middle East and Africa, undermined the development of these regions and made possible the failure of the national economies, social injustice, the destruction of cities and villages, and a large flow of refugees. Of course, the resolution of economic and financial issues, either at global or regional levels, seems complicated and even impossible, in light of the threats to peace, stability and security. Therefore,



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the issues on the G20 summit agenda should be viewed through the prism of current political processes. The settlement of existing political crises and the resolution of conflicts should be based on international law, norms and principles.

The dramatic fall in energy resource prices and reigning uncertainty in the world market since the second half of 2014 could force many countries to face a worsening economic environment and even such challenges as stagnation and decline in the medium term. Serious consequences may already be observed in several countries. Therefore, it is important to take steps to stabilise the global energy market and ensure a favourable atmosphere for both energy exporters and importers.

Azerbaijan welcomes plans related to the energy supplies to various regions and the resolution of food security within vulnerable countries. It joins the initiatives to create beneficial and predictable trade regimes between countries, bettering the social status of peoples worldwide, promoting investments, fostering gender equality and empowering women. Our country supports the practical measures envisaged in all these areas.

At the same time, the efficiency of efforts to cope with global economic crises should be assessed. Stabilising steps should be even broader, in order to trigger serious discussions to increase the resistance of the world economy to post-crisis threats and reflect adequate opinions in the G20's final communiqué.

In my opinion, the discussions and decisions at the G20 Antalya Summit will be instrumental in undertaking real and effective measures, related to resolving current problems and forming a common strategy to address many global issues. ■

President Aliyev participates in the men's karate medal ceremony at the 2015 European Games in Baku

# PASHA Bank: a gateway to the region for entrepreneurs

**E**conomic ties between Azerbaijan and Turkey have been growing stronger each year on the back of the increasing geopolitical weight of the region. The importance lies in the symbiotic relationship of the two brother nations, where Azerbaijan and Turkey are playing host to the energy corridor between the Caspian Basin and Europe. The trade volume between these two countries has been on an ever-increasing trend for the last decade and Turkey's exports to Azerbaijan amounted to \$2.8 billion in 2014.

At present, approximately 2,400 Turkish companies are operating in Azerbaijan and more than 1,300 Azerbaijani companies are present in Turkey. Considering the current macroeconomic challenges facing the region, businesses active in these countries not only need access to finance, but also high-level consultations from a reliable partner experienced in trade financing and export. PASHA Bank, which is operating both in Azerbaijan and Turkey, specialises in providing such services.

Established in Azerbaijan in 2007, PASHA Bank offers all major financial services, including corporate finance, trade finance, investment banking and private

banking to a range of clients, from large and medium-sized corporates to private customers. The Bank works particularly closely with companies operating in non-oil sectors of the economy, particularly agriculture, transportation, construction, among others. As a result of the Bank's efforts to diversify its portfolio and enhance its customer-centric model, its credit portfolio in Azerbaijan increased by 58% by the end of last year. PASHA Bank has continually been recognised by the international financial community as the leader of Azerbaijan's banking market. The Bank has received several prestigious awards, including 'Best Bank of Azerbaijan' from *EMEA Finance* and 'Trade Award 2014' from Commerzbank AG.

## Facilitating higher trading volume in the region

PASHA Yatırım Bankası A.Ş. is the first foreign investment Bank of Turkey, which was founded in Istanbul under the title "Yatırım Bank A.Ş." on 25 December 1987. The Bank's title was changed to "PASHA Yatırım Bankası A.Ş." in March 2015, and it currently operates through its general directorate office located in

Istanbul. As the sole bank with Azerbaijani ownership in Turkey, the Bank stands out in the intensely competitive banking industry. PASHA Bank Turkey is positioned as a boutique investment bank with a unique model, developing a niche in the region through strong experience, expertise and reach, enhancing the quality of services



Turkey recorded an average growth rate of 5% over the past five years and it has the potential to grow by more than 3% over the coming period. The Turkish banking sector managed to remain strong in 2014, despite the continuing volatility of international capital flows and increased foreign exchange exposure stemming from persistent exchange rate depreciation. Despite adverse domestic and international economic and political developments, the Banks' assets grew by 11.5%, while return on equity grew by 6% in 2015 Q2, compared to the same period in 2014. As of June 2015, there are 52 banks operating in Turkey, employing 282,000 personnel.

and offering a well-structured line of products meeting clients' needs with a swift approach and facilitating higher trading volume in the region. The Bank's main areas of concentration are medium and large corporates engaged in trade activities.

### Ability to professionally analyse

In every country where PASHA Bank operates, the Bank pays special attention to relationship management. The Bank always proactively approaches the potential difficulties of its customers, including SME clients. The competitive advantage of the Bank lies in its ability to professionally analyse the business conditions of both its customers and the wider Azerbaijani and Turkish markets. The Bank believes that building lasting client relationships is the key to building the business in the future.

Investing in community development has become an essential part of the Bank's activities, since investments made today will yield huge benefits to society as a



In 2015, Fitch Ratings upgraded PASHA Bank Azerbaijan's long-term foreign currency issuer default rating (IDR) to "BB-" from "B+", and its short-term IDR to "B", with a stable outlook. S&P reaffirmed ratings as "BB-" long-term IDR and "B" short-term IDR, with a stable outlook. These are the highest ratings among all of Azerbaijan's private banks, with 100% local capital.

PASHA Bank Turkey has been graded by an independent rating agency for its compliance with the corporate governance principles and has been assigned a 89.43 rating as of June 2015 and is among the First Group of the World Corporate Governance Index (WCGI). Fitch Ratings has assigned PBTR a National Long-Term Rating of "A(tur)" with a "Stable" rating outlook in October 2015.

improve technology and electronic banking, enhance merchant services and payments and develop cross-country operations will also be at the top of the Bank's commercial agenda for the year ahead.

The Bank's strategy in Turkey is to become the leading regional corporate and investment bank by providing fully fledged corporate and investment banking services to Turkish companies with interests in big international projects in Turkey, Azerbaijani investors having interests in Turkey and Turkish businesses operating in Azerbaijan.

In view of the macroeconomic challenges in the region, financing is becoming a secondary product offered by credit organisations, with efficient business consulting coming to the forefront. Experience shows that, particularly in challenging times, businesses need expert and well-balanced advice on a range of business issues, including how to improve their business models, manage cash flows and realise the potential of import and export operations. Such services are currently in great demand and the Bank continues to look towards the institutional development of its customers' businesses so that they become stronger and less subject to potential external negative impacts. As a PASHA Bank client, a business operating in Azerbaijan or Turkey can be confident that it is receiving tailored services, professional expertise, access to the international arena and financial support both in domestic operations and in foreign trade, irrespective of the situation in world markets.



In 2014, gross domestic product in Azerbaijan increased by 2.8% year on year (YoY), or AZN 1.6 billion (\$1.5 billion) at constant prices, and reached AZN 59 billion. The bulk of this growth continued to come from the non-oil sector (61% of GDP), which expanded by 7%, while oil and gas production (39% of GDP) declined by 2.9%. Total investment in the economy amounted to AZN 17.6 billion (1.4% decline YoY) with 37% financed by budgetary means, 55% by firms' own means, and the rest by other sources.

According to the projections from the government as well as certain international organisations, economic growth in the country is expected to continue during 2015. Based on the latest reports by the International Monetary Fund and the Asian Development Bank, economic growth in Azerbaijan is forecasted to be 4% or 3% in 2015, respectively. Both institutions' growth expectations mostly rely on the continuation of investment in infrastructure and the real sector. Furthermore, recently, Standard & Poor's (S&P's) rating agency maintained its "BBB-/A-3" long- and short-term foreign and local currency sovereign credit ratings assessment of Azerbaijan.

whole and will also promote long-term development opportunities. The Bank believes that education plays a key role in contributing to further development, which is why it devotes a significant amount of resources to not only supporting the education of young people and improving their financial literacy, but also to educating the business community. One of the best acknowledgments that PASHA Bank has followed the right strategy for its CSR programme was the 'The Best Corporate Social Responsibility (CSR) Programme in Europe' award it received from *EMEA Finance*, one of the leading financial magazines. Despite the Bank's relatively short period of activity in the market, it has identified clear CSR aims and priorities as part of its development strategy. By implementing its CSR programme, PASHA Bank is actively supporting local communities and continuing to contribute to the further development of both Azerbaijan and Turkey.

### Raising the competitiveness of its customers

One of the PASHA Bank's aspiration for the 2015-2017 strategic period in Azerbaijan is to continue supporting the non-oil economy with particular emphasis on the agricultural sector, which is expected to boost exports and become a key driver behind the country's import substitution programmes. Continuing to

#### Azerbaijan

15, Yusif Mammadaliyev Street  
Baku, AZ1005, Azerbaijan  
T: (+994 12) 496 50 00  
F: (+994 12) 496 50 10  
E: office@pashabank.az  
[www.pashabank.az](http://www.pashabank.az)

#### Turkey

Maslak Mahallesi A.O.S. 55. Sokak  
No: 242 Maslak Ofis 3, K: 7, D: 205  
34398 Sariyer/Istanbul - Turkey  
T: +90 (212) 345 07 11 – 705 89 00  
F: +90 (212) 345 07 12  
E: info@pashabank.com.tr  
[www.pashabank.com.tr](http://www.pashabank.com.tr)



**PASHA Bank**  
New heights. Together.

# Ending Africa's marginalisation

— **Macky Sall, President of Republic of Senegal, and Chair, NEPAD Heads of State and Government Orientation Committee**, says Africa's relationship with the G20 should be based on cooperation and recognition of the continent's vast growth and development potential

**A**t the turn of the millennium, a movement looking for a renaissance in Africa, promoted by the African people under the African Union, led to the adoption of a flagship programme: the New Partnership for Africa's Development (NEPAD).

The vision to transform the continent through this development framework depends on an inclusive partnership, founded upon the principles and values of ownership and leadership, and is sustained by the determination of African leaders to guide their countries – individually and collectively – down a path of growth and development to end Africa's marginalisation on the global stage.

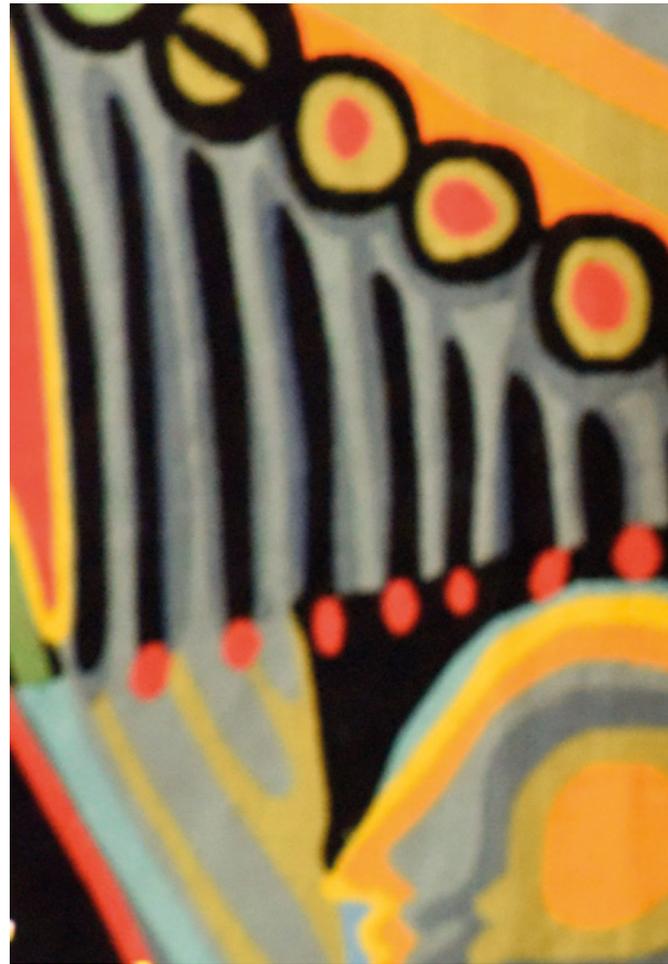
This vision and the efforts that underpin it have been supported by the rapid growth seen over the past decade, which has reversed economic decline and stagnation on the continent. This change, according to the McKinsey Global Institute, has placed Africa among the world's most dynamic economies.

The future looks decidedly promising, and projections indicate that Africa's gross domestic product will reach \$2.6 trillion by 2020.

The World Bank's *Doing Business 2015* report on Africa underlines that investment returns on the continent are some of the most attractive in the world, meaning that Africa is ready to become a hub for growth and investment, as opposed to a continent engaged in a perpetual battle against poverty and dependent on international aid.

Undoubtedly, this potential calls for a change in paradigm driven by a set of new priorities that will be the key to sustainable and inclusive development. Emphasis must be placed on the values and responsibilities of governance, including transparency, respect of human rights, peace and security.

Today, African leaders are committed to developing projects and programmes, particularly in the areas of agriculture, food security and infrastructure.



## Africa is determined to build a comprehensive and balanced partnership with the G20

Creating the Comprehensive African Agriculture Development Program has led to an increase of investments in these sectors. Africa has now begun its green revolution, and more than half of the continent's countries have signed agreements committing their governments to meet the Maputo Protocol, which stipulates that 10% of national budgets be allocated to agriculture.

Continent-wide, initiatives that seek to create a policy framework for each sector have also been consolidated through the Program for Infrastructure Development in Africa (PIDA).

African leaders understand that regional integration is key to boosting development on the continent. In this context, infrastructure development is a powerful catalyst for integration and growth.

PIDA's Priority Action Plan recognises this, and has developed 51 projects and programmes to be implemented across a range of sectors, including



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transport, energy, information and communication technologies, and water and sanitation, at a cost of \$68 billion.

In addition to the diversity of the sectors covered, PIDA also projects a unified vision across the continent, since all regions are involved.

In the quest for efficiency in Africa's development, the continent is resolutely engaged in the implementation of new policies.

### **Mobilising internal resources**

At the Dakar Financing Summit for Africa's Infrastructure, organised in June 2014, 16 projects were selected from PIDA's Priority Action Plan and presented to the international community, taking into consideration their level of development and emphasising a regionally balanced selection. It was at this point that the Dakar Agenda for Action was adopted.

In addition to reaching a consensus among all stakeholders on the importance of infrastructure, the document announced concrete measures to accelerate financing for PIDA projects and programmes.

African leaders face a number of challenges, including improving project preparation skills, creating a favourable environment and, above all, the funding of these projects.

With regard to funding, Africa intends to take control of its own destiny, focusing on the mobilisation

of internal resources. In this context, the main sources of funding for development should be tax revenue and innovative financing. Furthermore, support from international partners will help Africa fight the capital flight phenomenon.

At the G7 summit at Schloss Elmau, Germany, in June 2015, I brought these issues to the attention of our G7 partners, inviting them to strengthen cooperation with our countries in order to put an end to practices that inhibit our development efforts.

In many respects, NEPAD constitutes a break from tradition, by virtue of the values that underlie it: African people taking ownership of their own development process and the spirit of partnership.

I would like to conclude speaking about partnership to underline that in this new era of globalisation, development looks completely different due to the sheer amount of new opportunities and the arrival of new players on the international stage.

Africa is determined to build a comprehensive and balanced partnership with the G20 based on its strategic programme, NEPAD.

It is vital that this desire is translated into fairer terms of cooperation, which acknowledge the continent's potential for growth and development. It is also necessary to institutionalise and systematise Africa's involvement in the worldwide development processes, for which the G20 constitutes the most significant group. ■

The biggest challenge faced by African leaders is the funding of projects, says Senegalese President Macky Sall

# Building a more inclusive world for all

— **Dr Nkosazana Dlamini-Zuma, Chair of the African Union Commission**, says that the initiatives of the G20 complement Africa's own development priorities, which include investment in people and domestic resource mobilisation

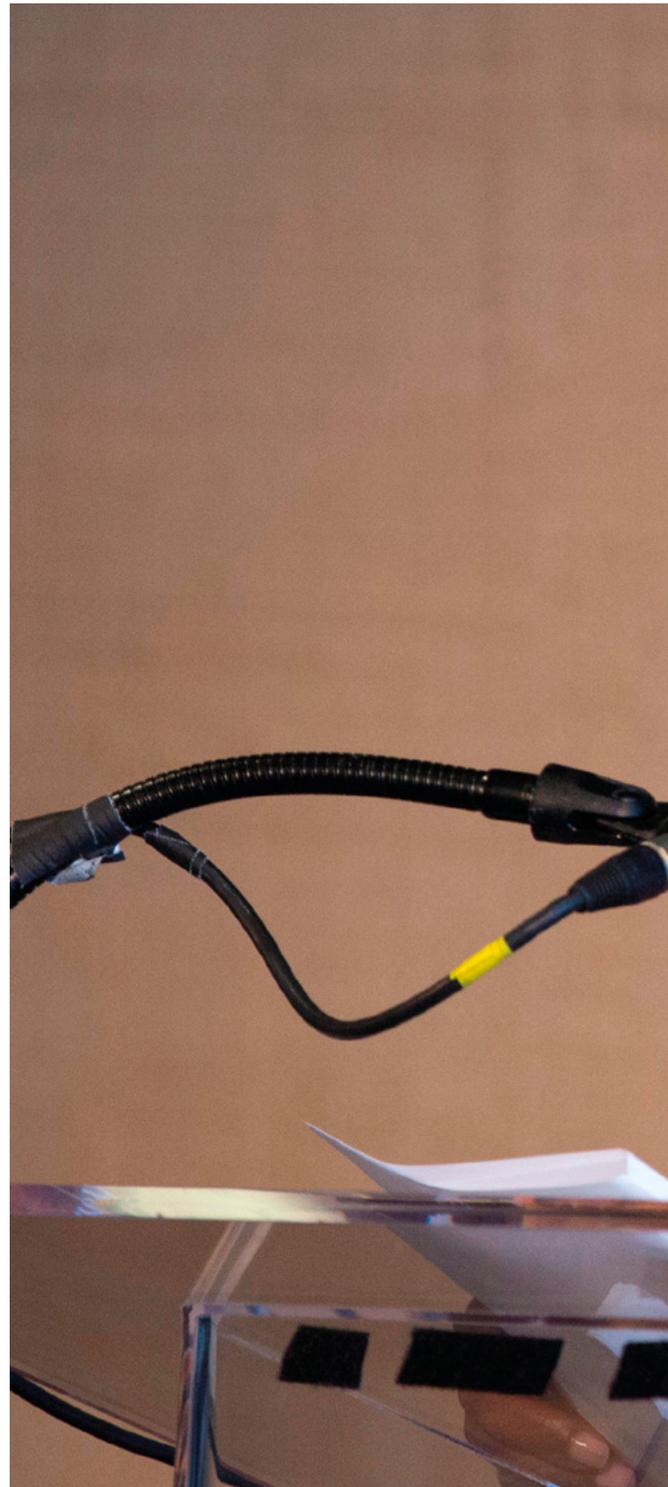
**T**he coming together of the G20 leaders in 2008 was an important global landmark – the recognition of the diversity of our world, and therefore the recognition that a small group of powerful and rich countries cannot and should not determine the future of our planet alone.

Our world faces many challenges and boundless opportunities. Some of these challenges are on the agenda of the Antalya Summit: how to ensure global economic recovery that is inclusive and more equitable, and how to enhance resilience and sustainability.

For Africa, these are important objectives, as we have started our journey mapped out in Agenda 2063: The Africa We Want, our 50-year vision for a continent that is integrated, peaceful, people-centred and prosperous. The African aspirations contained in

**We have started our journey mapped out in Agenda 2063, our 50-year vision for a continent that is integrated, peaceful, people-centred and prosperous**

Agenda 2063 are global and human aspirations: to ensure that we eradicate poverty, disease and hunger in a generation; to industrialise and diversify our economies so as to give hope and opportunities to our young people; to develop infrastructure that unites Africa, and to do so in a manner that is sustainable, climate-friendly and protects our ecosystems; and to build inclusive and peaceful political cultures that celebrate the cultural, political and religious diversity of our world.



Above all, we believe that our commitment to invest in people is what is required all over the world, in health, nutrition, water and sanitation, but above all, in education and skills, to enable the new generations to help find solutions to the problems we face in our fast-changing world.

Africa has disproportionately suffered from the illicit flows of capital from its shores, much-needed capital that should be invested in these priorities of Agenda 2063, so that we indeed meet the new Sustainable Development Goals by 2030. We are



PACIFIC PRESS/ALAMY STOCK PHOTO

pleased by the initiatives of the G20 to tackle this problem globally, and the African Union Commission and African countries are committed to this agenda, since it coincides with our own programme of domestic resource mobilisation.

We welcome the work being done by the G20 to strengthen relations with various regional bodies, including the Association for Southeast Asian Nations and the African Union, so that we work together to build a more just and inclusive world for all. I am particularly pleased by the initiative of the Turkish

G20 presidency to launch the Women 20 initiative, aimed at harnessing the involvement of women in business. Without the empowerment of girls and women in all our societies, our efforts to solve the major challenges facing humanity such as poverty, violence, climate change, insecurity and inclusive growth will not be realised. The evidence on the contributions of women to economic growth, and the cost of excluding them, are mounting.

We look forward to working with the G20 under the leadership of Turkey on this and other matters. ■

Investment in people should be a leading global priority, says Dr Nkosazana Dlamini-Zuma, Chair of the African Union Commission

# Brazil backs practical inclusion initiatives

— Brazil shares the G20's commitment to social and economic inclusiveness, and has valuable experience to share with its fellow members, writes **Ambassador Carlos Márcio Bicalho Cozendey, Sherpa and Vice-Minister for the Economy and Finance, Ministry of External Relations of Brazil**



Carlos Márcio Bicalho Cozendey is the Vice Minister for the Economy and Finance in the Ministry of External Affairs of Brazil and President Dilma Rousseff's G20 Sherpa. He rejoined the Ministry of External Affairs in 2015 after serving as Secretary for International Affairs in the Ministry of Finance from 2011-14. From 1987 to 2001, he held a variety of positions in the Ministry of External Relations, including Counsellor on Brazil's Mission to the European Communities and Head of the Mercosul Division.

[www.itamaraty.gov.br](http://www.itamaraty.gov.br)

Since the G20 was upgraded to a leaders level forum in 2008, it has become well known for coordinating the response to the global financial crisis. Through the years, however, the G20 agenda has broadened to include, among other issues, economic development. In this context, the Turkish G20 presidency in 2015 has chosen inclusiveness as a cross-cutting theme – a decision Brazil strongly supports.

Inclusiveness means not only reducing the divide between rich and poor countries, but also promoting, in each country, more just societies. In recent years, there has been a growing recognition of the decisive importance – social, ethical and economic – of promoting inclusiveness as a powerful tool to address inequality. Disparities in the level of development among countries, and in living conditions within national societies, remain unacceptably high.

The fact that the global financial crisis has lost some of its severity should not reduce the sense of urgency to actively promote inclusion policies. In this regard, it is encouraging that the international community has adopted ambitious and universal Sustainable Development Goals (SDGs) at the United Nations (UN)

Sustainable Development Summit in September.

The G20, and in particular the Antalya Summit in November, must clearly demonstrate its capacity to translate global aspirations and needs into effective collective action for shared prosperity. Brazil, therefore, supports the efforts by the Turkish presidency to have

practical inclusion measures adopted in Antalya. Some of them are especially important for Brazil.

Last year, G20 leaders agreed on a set of principles on energy collaboration, and committed to ensuring affordable and reliable energy for all. G20 members are now working to transform these principles into outcomes, through the G20 Energy Access Action Plan, with its focus on sub-Saharan Africa. The problem, however, is global, because more than one billion people worldwide still lack access to electric power, which hinders improvements in living standards for vulnerable populations and deters the integration of less-developed regions into the modern economy. The G20's attention to this issue is perfectly in line with the international community's commitment – incorporated in the 2030 SDG agenda – of ensuring affordable, reliable and modern energy for all.

Energy access is also a national priority for Brazil. In 2003, we launched a programme called Light for All, to eradicate energy poverty. Since then, 3.3 million families, totalling more than 15 million people, have benefited. The programme has contributed to more than 99% of Brazil's population now having access to energy services. Ensuring universal access to energy is also good business. Studies show that more than 400,000 new jobs were created by the Light for All programme, and approximately \$2 billion was injected into the Brazilian economy as millions of families gained access to the energy needed to power home appliances.

Efforts to make energy access universal must necessarily be environmentally sustainable. Hence, it is imperative that we governments take decisive action to promote renewable energy, an issue that Turkey rightly set as a G20 priority for 2015. The G20 is presenting a menu of options to expand the use of renewable energy and to support meeting the goal of increasing its share substantially in the global energy mix over the coming decades. Brazil already has a very significant proportion of renewables in its energy matrix, and has well established the use of biofuels. These are experiences that we can and will share with our partners.

## Redistributing the food surplus

The G20's food security agenda is another very positive element of its efforts to promote social inclusion at the global level. In 2015, members agreed to tackle the crucial issue of food loss and waste, in which almost a third of all food produced globally for human consumption is squandered. Inspired by the Rome Declaration on World Food Security, Brazil has insisted that the G20 contributes to the recovery and redistribution of safe and nutritious surplus food. These actions are aimed at strengthening food and nutritional security by combining, on the one hand, greater access to food for low-income communities and, on the other, greater access to markets for family farmers, through partnerships and synergies among civil society organisations, the private sector and governments.

Brazil has much to learn on this issue from successful experiences among its G20 partners, but also much to contribute with its own cross-sectoral



ANDRE PENNER/AP/PRESS ASSOCIATION IMAGES

strategy. A decade after the launch of the UN Zero Hunger Challenge, Brazil gained the status of a territory free from hunger in the Food and Agriculture Organization's 2015 *State of Food Insecurity in the World* report. It also achieved both the Millennium Development Goal of halving the proportion of people who suffer from hunger and the more ambitious World Food Summit goal of halving the absolute number of hungry people.

### Jobs for social cohesion

Job creation is another essential aspect of inclusiveness, to which the G20 is dedicated in 2015. The global financial crisis has left a most burdensome and unfortunate legacy: the high number of young people neither employed nor enrolled in education or training programmes (NEET) or in poor-quality jobs. There are an estimated 150 million NEETs in G20 members, which can lead to the permanently damaged long-term career prospects of millions of individuals due to underinvestment in skills, and can seriously undermine social cohesion. That is why Brazil has supported the G20 collective goal of reducing the number of young people facing these challenges.

In G20 members alone, an estimated 150 million young people are neither employed nor enrolled in education or training programmes, or are working in poor-quality jobs

The Antalya Summit will highlight the potential of 'inclusive businesses'; that is, businesses that include low-income populations in the production value chain or that focus on such markets. These businesses are especially important for job and income creation, and for easier access to low-cost goods and services.

In Antalya, leaders will commit to public policies that encourage the private sector to seize the opportunities created by social inclusion. At the international level, they will stress that multilateral development banks and other financial institutions need to step up their efforts. Brazil will continue to share successful experiences, especially regarding programmes for streamlining business and reducing costs, as well as incentives to micro-entrepreneurs and credit concession.

In sum, Brazil attaches great importance to making the G20 ever more committed to greater inclusive economic growth, while also tackling outstanding issues pertaining to macroeconomic coordination, financial regulation and fiscal evasion. This will certainly help maintain the G20 as a credible and constructive instrument of global economic governance and sustainable development to the benefit of all. ■

# Prospects for the G20 at Antalya

— As G20 leaders gather in Turkey, their foundational mission of making globalisation work for all will be underlined by an agenda focused on inclusiveness and the associated challenges, says John Kirton, Co-director, G20 Research Group



John Kirton is Co-director of the G20 Research Group, the BRICS Research Group and the Global Health Diplomacy Program, as well as Director of the G7 Research Group, all based at Trinity College at the Munk School of Global Affairs, University of Toronto, where he is a Professor of Political Science. He is also a Non-resident Senior Fellow at the Chongyang Institute for Financial Studies at Renmin University of China, author of *G20 Governance for a Globalized World* and co-author of *The Global Governance of Climate Change: G7, G20 and UN Leadership*.

@jjkirton

[www.g20.utoronto.ca](http://www.g20.utoronto.ca)

**T**he G20's 10th summit, taking place in Antalya, Turkey, on 15-16 November 2015 promises to be a significant success across all its priorities of inclusiveness, investment and implementation. Led by summit co-founder and long-time veteran, Turkish President Recep Tayyip Erdoğan, it will advance its central goal of inclusive growth by promising to increase youth unemployment, support small and medium-sized enterprises (SMEs) and enhance the place of women. It will expand the G20's agenda to include the immediate crises of Syrian refugees and terrorism. G20 leaders will promise to increase their countries' investment and implementation monitoring to reach their goal of raising economic growth at least 2% above the initially estimated trajectory by 2018. And they will further institutionalise the G20, notably by introducing a new ministerial forum for energy, the World SME Forum and the Women 20 (W20) engagement group.

## Compensating for slow growth

Generating strong, sustainable, balanced and now inclusive growth will be at the core of the leaders' agenda. This is due to the slowdown in global economic growth and trade, the recession in Russia and Brazil, and the still sluggish recovery in the advanced G7 countries. Investment, especially for infrastructure, will be the first instrument used. Leaders are poised to promise additional measures to compensate for the steady decline in estimated growth and for their incomplete implementation of the 1,000 measures they promised last year under their Brisbane Action Plan (BAP) to lift G20 growth by at least 2%.

Other efforts to boost growth will arise elsewhere on the G20's traditional agenda. Fiscal sustainability,



spillover sensitive monetary policy and market-oriented exchange rates will be endorsed, as the world awaits the long-anticipated rise in the US Federal Reserve's policy interest rates and worries about the economic and financial health and policy of China. Stronger, more harmonised financial regulation and supervision will be approved, perhaps now with the recognition that climate change threatens the global financial stability that the G20 was created to preserve. A call for reform of international financial institutions will be again made. Leaders will endorse trade liberalisation through major plurilateral and regional agreements, such as the recently negotiated Trans-Pacific Partnership, and call for them to be a compatible building block for the long overdue completion of the multilateral Doha round at the World Trade Organization (WTO). To improve domestic resource mobilisation, anti-corruption and economic efficiency and fairness, leaders will adopt the next stage of the work of the Organisation for Economic Co-operation and Development (OECD) on base erosion and profit shifting, designed to ensure that all firms pay their taxes where their production and profits actually arise.

Inclusiveness will see the most innovation and thus serve as Antalya's centrepiece achievement. Inclusion will be identified as an important cause of economic growth, rather than a constraint. Leaders will seek to have the implementation of their BAP commitments



ENSAR OZDEMIR/ANADOLU AGENCY/GETTY IMAGES

generate growth in the most inclusive, jobs-rich way. They will produce a hard-won agreement to increase youth employment by 15% by 2025, aimed at young people not already employed or receiving education or training. Also in store are new measures to boost the status of jobs-generating SMEs and entrepreneurs and to increase the participation of women in the workplace by 25% by 2025, as promised at the 2014 Brisbane Summit.

### A better life for all

As Turkey has long been a champion of low-income developing countries, its summit will promote access to electricity to the more than one billion people who live without it. Here it will directly support the 17 new Sustainable Development Goals (SDGs) launched at the United Nations in September, with one goal focused on energy for the first time. It remains to be seen if, in the immediate wake of the Ebola epidemic, G20 leaders will continue or expand their still fragile global health governance, in support of SDG 3 – ensure healthy lives and promote well-being for all at all ages. Of equal importance is how they will act on energy issues, such as ending fossil fuel subsidies, and mobilise climate finance to help ensure that the UN's landmark climate change summit in Paris in December is an adequate success.

This spirit of inclusiveness will inspire G20 leaders to broaden their agenda to embrace the plight of some

The G20 spirit of inclusiveness will inspire leaders to address the issues faced by the world's most vulnerable people, with leaders discussing how they can better care for the millions of Syrian refugees

of the most vulnerable people in the world. At their opening dinner, leaders will consider how they can better care for the millions of refugees from Syria. With two million already residing in Turkey and many more arriving daily, the numbers are now overwhelming the traditional compassion of neighbouring Turkey and the generosity of a prosperous Germany as the ultimate, if distant, destination that many seek. This humanitarian concern will probably extend to an examination of the root cause of the refugee crisis – the brutality of the Islamic State and the Assad regime in the civil war in Syria and Iraq, and of similar terrorist groups elsewhere.

### The role of civil society engagement groups

Improved implementation is considered critical to achieving the many ambitious goals that G20 leaders have and will set. Leaders will thus introduce a new mechanism to monitor the delivery of the most important of the BAP commitments. They will look to international organisations such as the OECD, WTO and International Labour Organization to assist in assessing how well G20 commitments are being

## As Turkey has long been a champion of low-income developing countries, its summit will promote access to electricity

complied with and achieving the intended results. They could well look to their civil society engagement groups, notably the new W20, for help here.

The institutionalisation of the G20 will, in practice, be the fourth of the T's advanced at Antalya, after investment, implementation and inclusiveness. Leaders will endorse, continue and perhaps enhance Turkey's innovation in creating the W20, the Global SME Forum and the G20 Energy Ministers' Meeting. They will make their Trade Ministers' Meeting a regular annual event. G20 government heads will meet during their summit not only with the leaders of the Business 20, but also now with those from all the engagement groups. And by lengthening the time G20 leaders spend together and designing the opening dinner as a more spontaneous, leaders-driven session, Antalya will mobilise for the G20 some of the strengths of the more established, compact and cohesive G7/8 club.

As many of these achievements reflect the vision and determination of Turkey and its leaders, Antalya will again show that the G20 is a group of equals, and one that is steadily becoming a cherished club upon which China can build as the chair in 2016. Above all, Antalya's central achievements on inclusiveness will be true to the G20's distinctive foundational mission of making globalisation work for the benefit of all. ■

# Working together to achieve more

— Mitsubishi Electric's President and CEO for Europe, Middle East and Africa, Yoji Saito, says Turkey is providing the right environment for businesses to prosper and creating opportunities to access and grow the emerging markets in neighbouring countries



**Yoji Saito**, President and CEO for Europe, Middle East and Africa, Mitsubishi Electric

Restoring growth and building the resilience of financial institutions and national economies has been at the heart of the G20 for the past seven years. During 2015, Turkey's presidency has had a particular focus on ensuring inclusive and robust growth through collective action, with the agenda looking specifically at enhancing resilience, strengthening the global recovery and buttressing sustainability.

Turkey itself has an increasingly important role in bringing the vision of the G20 to life. As a major growing international market, it can boost investment, promote trade and increase employment.

Turkey has embraced the goals of the G20 and is using its geographical position and experience to do this. Throughout history, Turkey has acted as a synergist and, quite literally, a bridge between East and West, bringing cultures and trade together. Today, it continues to offer these synergies and acts as a great partner and platform for businesses around the world by providing them with access to neighbouring markets.

Speaking as the President and CEO of Mitsubishi Electric Europe, which has a

presence in Turkey, I can say first-hand that having offices stationed here provides us with a new-found dynamism. The transport and infrastructure sector is strong and continued growth plans are positive. This has provided international and national businesses with many opportunities to increase ties with Turkey and use their global positioning to access other markets.

Japan has recognised the opportunities Turkey offers to business and the country's ambition of recent years matches that of many Japanese firms, which is why we have seen a great many Japanese businesses come here. However, without Japan's long-standing good relations with Turkey, this may not have been possible.

Prior to our countries' more recently shared business interests and ambitions, Turkey and Japan have enjoyed more than 100 years of strong diplomatic history. The strength of this relationship is typified by an event in the 1890s, when the Ottoman frigate, named the *Ertugrul*, sunk on her way home from a visit with Japan. This tragedy saw more than 500 sailors die. However, 69 of those on-board survived. The surviving crew members were both rescued and escorted safely home by the Japanese navy. *Ertugrul* is now frequently referenced by the leaders of both our countries and acts as a symbol of the special relationship between our geographically distant states.

Building upon these foundations, the more recent relationship between Japan and Turkey has been rooted in economics and energy. While bilateral trade remains low, at less than \$4 billion, investment opportunities are growing.

This is largely due to Turkey's profound economic transformation over the past decade. With a growing economy, the need for infrastructure investments across industries is paramount. The government has allocated a large amount of money towards infrastructure projects – specifically, to increasing the length of high-speed rail, improving the motorways and raising passenger capacity at airports. Turkey has also committed to retrofit and renovate buildings that are prone to destruction during natural disasters, which includes 6.5 million residences.

The Turkish government's ambitious infrastructure plans have presented a great many opportunities for Japan and other international states and businesses to invest in the country; an opportunity Japanese businesses have jumped at. The most notable Japanese contribution to Turkey in recent times has been the investment of \$1 billion by the Japan Bank of International Cooperation (JBIC) as part of the \$4 billion Marmara tunnel spanning the Bosphorus. Mitsubishi Electric also played its part in this ambitious and exciting project by supplying control systems, which have run uninterrupted since installation.

## The more recent relationship between Japan and Turkey has been rooted in economics and energy

Mitsubishi Electric's role was to supply the most advanced automation technology, which safely monitors and controls the tunnel ventilation system, energy supply system, station ventilation, clean and waste water systems, moving staircases and elevators, tunnel lighting and station lighting systems, fire alarm systems for tunnels and stations, tunnel drainage and tunnel flood covers.

This particular project has generated widespread attention for Mitsubishi Electric, and for the partnership between Japan and Turkey, but behind this great partnership between our two countries are many more exciting and valuable projects. While not all receive the same spotlight from the global media, they are no less important to strengthening



and growing the Turkish economy and developing the skills of the Turkish people and our relationship.

Mitsubishi Electric's main services to the region are the distribution of air conditioning and factory automation systems, as well as infrastructure-related products such as satellites, elevators and escalators, and electrical equipment for railcars. The company also offers social infrastructure-related business development and marketing research services, making us ideal partners for Turkey – a country that has great infrastructure ambitions.

One of the most exciting ways in which we have been able to assist the Turkish Government and people is through our involvement in TURKSAT.

Mitsubishi Electric was awarded a contract for TURKSAT-4A/4B by Turksat AS in 2011. Designing, manufacturing and testing were carried out first for TURKSAT-4A, followed by TURKSAT-4B. Most of the final assembly and system testing was conducted at the Tsukuba Space Center in cooperation with the Japan Aerospace Exploration Agency. During this process, Mitsubishi Electric provided Turksat AS engineers with a suite of educational and OJT programmes about satellite manufacturing and testing.

In addition to providing the satellites, Mitsubishi Electric will support the satellite industry in Turkey and we hope these efforts will help the industry to keep expanding.

However, beyond the enticing opportunities for our business growth and opportunities to diversify, the quality of the Turkish manufacturing and engineering workforce has been one of the main attractions to the country for Mitsubishi Electric. The country boasts almost 500,000 students enrolled in the fields of manufacturing and engineering, providing enviable access to skilled workers for the region. Despite our relatively short partnership with Turkey (of three years), we have 167 workers in country and anticipate this to grow in line with our sales. We most recently integrated our former air conditioning distributor Klima Plus. The completion of the Klima Plus integration was a great step forward for us, providing us with additional opportunities in the market. This integration has seen us experience strong growth and this will serve to further strengthen our position as well as affirm our commitment to the region.

Turkey has also been a great partner for Mitsubishi Electric and other Japanese businesses. We share a similar philosophy of enriching society. This shared philosophy and Turkey's culture of developing and

harnessing their workforce has made the country an exciting place for us to work. The emphasis in developing skilled workers also helps Turkey achieve its ambitions by making it an attractive place for foreign multinationals such as ourselves to invest in, as was demonstrated by the partnership between ourselves and the TURKSAT project.

Turkey's ambition and willingness to grasp the spirit of the G20 must be commended. The country has set the right environment for business to prosper and provides opportunities for their young population to gain employment. The welcoming of businesses has helped Turkey's economy to grow and, as promised by Ahmet Davutoğlu in 2014's G20 summit, Turkey is continuing to help other economies to grow.



**MITSUBISHI  
ELECTRIC**  
*Changes for the Better*

Mitsubishi Electric Europe BV  
Harman House, 1 George Street,  
Uxbridge, UB8 1QQ

[emea.mitsubishielectric.com](http://emea.mitsubishielectric.com)

# Seeking inclusive and robust growth through collective action

— The Turkish G20 presidency is making headway in its commitment to foster sustainable growth for the benefit of all, writes **Professor Ahmet Davutoğlu, Prime Minister, Republic of Turkey**



Ahmet Davutoğlu was elected Prime Minister of Turkey on 28 August 2014. He was appointed Minister of Foreign Affairs in 2009, having previously served as Chief Adviser to the Prime Minister. He entered the Grand National Assembly as a member of parliament in 2011 and continued serving as the Foreign Minister. Before entering politics, he was a professor at Beykent University in Istanbul and a visiting scholar at Marmara University.

**T**urkey thrives in its region and beyond with its democracy, strong economy, dynamic demographics and rich cultural heritage. Heading towards the 100th anniversary of the foundation of the Republic of Turkey in 2023, we have defined a certain set of goals, which we call 'Vision 2023', to elevate our standards to an even higher level.

To meet these goals, it is vital to further improve the capacity and dynamism in the fields of industry, transportation, infrastructure, education, science and technology, legislative and institutional structure, while fostering the existing international partnerships and developing newer ones. Hence, Turkey will continue its structural reform agenda by heading towards a more forward-looking perspective.

Turkey has witnessed a significant economic transformation process in the new millennium thanks to a comprehensive economic reform programme that has been launched and implemented successfully

in order to make the economy stronger and more resilient. The economic programme has been supported by other reform areas, in line with our negotiations for accession to the European Union, one of the strategic goals for our Vision 2023. In this vein, we continued to strengthen the democratic system, governmental and non-governmental institutions and the rule of law. Thanks to prudent macroeconomic policies and comprehensive structural reforms during this period, the economic momentum has accelerated and gross domestic product per capita has tripled, employment has increased significantly, poverty and income inequality have declined, and trade volume has increased sharply. As a result, Turkey has managed to attract historically high levels of foreign direct investment.



Increasing high sustainable growth levels is crucial but not sufficient. Achieving high per-capita income can only be meaningful when this income is fairly distributed and when every single individual of the society benefits from the total welfare properly. This is why Turkey attributes great importance to inclusive growth by reforming healthcare, education, social security, and the fight against poverty and inequality. Also, it is important that development goes hand in hand with environmentally friendly policies. From a sustainable development approach, the next generations should be left with a clean environment.

## Detailed action plans

In order to achieve our objectives, we have recently announced privileged Priority Transformation Programmes, the so-called second-generation reform programmes. These are designed for critical reform areas, which address the main structural problems of Turkey. They will significantly support our goal to achieve stronger, sustainable and balanced growth in the medium to long term. Among them, increasing domestic savings; better utilising local and renewable resources in energy production; improving energy efficiency; further advancing the reform efforts on business and investment climate; reducing the informal economy; making the labour market more flexible and efficient; and enhancing basic and occupational skills could be



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highlighted. Detailed action plans have been prepared for these transformation programmes, which consist of approximately 1,300 measures.

Human resource is the most important and permanent asset that a country can possess. Accordingly, Turkey has been focusing on human-oriented development strategies. The pace of change in information technology is fast. Adapting to such a world and being competitive internationally requires developed skills and a well-equipped workforce. Therefore, education is at the centre of our human development programme to enhance our competitive advantage through a life-long learning process. Research and development and high-tech investments will be strongly supported. Together with a sound corporate governance approach, these are the necessary elements to move from being a technology consumer to a producer country.

By 2023, we aim for higher export volumes, and lower dependence on imports with a perspective of internalising innovation. Inclusiveness is the key word with a view to garnering all segments of society to move forward and place Turkey among today's advanced economies. Towards this end, gender equality is an indispensable element of our inclusiveness perspective. In order for women to actively participate more in economic and social life and thus to mobilise the full potential of the Turkish economy, significant steps

## Turkey is responding to arising opportunities by investing further in its infrastructure

have been taken. As a result, the female labour participation rate has increased considerably in recent years, yet it is still below the existing figures of advanced economies. However, our projections indicate much higher levels in the near future.

### Connecting with the world

Turkey's exclusive geographical location in between energy-producing and energy-importing countries, and its pivotal position on main air and land transport routes within Afro-Eurasia, offers huge economic potential for the future, in spite of the recent conflicts in this geography. Once completed, the Istanbul International Finance Centre project will have a great supplementary role to make best use of this potential. Turkey is responding to arising opportunities by investing further in its infrastructure. The third airport in Istanbul will add capacity for another 150 million passengers per year once completed. The recently completed Marmaray project represents the first underwater rail link between Europe and Asia. Ongoing high-speed railway construction, increased connectivity and flight destinations thanks to Turkish Airlines, and

Turkey is concentrating on human-oriented development strategies, placing education at the heart of development programmes





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Increased international connectivity is a huge driving force behind Turkey's growing economic potential

an additional 14,000km of highway construction all contribute to Turkey's potential.

Economic achievements flourish in stable and predictable political environments. Without any doubt, democracy and freedom are prerequisites to sustain the stability in the long term. A well-functioning democratic system, respect for human rights, freedom of speech and the rule of law are at the core of our political agenda in Turkey, since a well-functioning democratic system improves not only the political stability, but also economic stability by increasing predictability, transparency and accountability.

### Meeting expectations

Our journey towards our Vision 2023 coincides with both a historic opportunity and an important responsibility for Turkey this year: chairing the G20, the world's premier forum for economic policy coordination. In order to meet the global community's expectations for the G20 presidency, we prepared an ambitious set of priorities, a comprehensive agenda and an intense work plan. With this, we aimed to pave the way towards achieving the overarching aim of the G20 – strong, sustainable and balanced growth through collective action. Keeping the forum focused, relevant and able to achieve substantial outcomes for the health of the global economy has been our main objective during our tenure at the helm of the G20.

Under the motto of 'Collective Action for Inclusive and Robust Growth', the Turkish presidency embraced the past G20 agendas and sought to add impetus with its three 'I's of themes of implementation, investment and inclusiveness.

Under the first 'I', implementation, the presidency made a bold move and claimed that "words have played their part". Reflecting the urgent need for the effectiveness of the required reforms, the Turkish

presidency encouraged G20 members to fulfill their commitments under various agenda items and put in place the necessary measures to meet G20 objectives. G20 growth strategies; the financial regulatory reform agenda; the Base Erosion and Profit Shifting (BEPS) Project of the G20 and the Organisation for Economic Co-operation and Development; the 2010 quota and governance reform of the International Monetary Fund; and national employment strategies were on the G20 laundry list for effective implementation.

### An enabling environment for investment

In the context of the second 'I', investment, we sought to address the investment gap, especially in infrastructure, still observed all over the world almost eight years after the global financial crisis. To improve the investment environment and to boost quantity, quality and efficiency of the infrastructure investments, G20 members prepared their country-specific investment strategies. The establishment of the World SME Forum for small and medium-sized enterprises (SMEs) and the full operationalisation of the Global Infrastructure Hub are also important developments to note on this front. Recognising the large untapped potential associated with Islamic finance, the Turkish presidency also tried to increase the awareness among G20 members on this issue and encourage them to increase the role of non-traditional lending models.

It goes without saying that the G20 addresses issues of a global nature that matter to all countries, not just those in the G20. The G20 holds a very high representation power and outcomes of the negotiations under the G20 roof have a strong reflection and are closely followed by the global community. Against such a background, the Turkish G20 presidency aimed to enhance global economic cooperation by reaching out to a wider range of stakeholders and reflect their views to the G20 agenda through its third 'I', inclusiveness.

The inclusiveness strategy aims to ensure the benefits of growth and prosperity are shared by people within and beyond G20 members. Recognising its domestic and global facets, we examined the scope to emphasise issues pertaining to SMEs and low-income developing countries (LIDCs) as a cross-cutting subject across all work streams. Lifting female and youth employment; removing obstacles SMEs face in access to finance and global value chains; tackling inequalities and placing a special emphasis on reaching out to LIDCs, and developing policy responses to the specific challenges they face have been instrumental parts of this strategy.

Objectives identified in the context of Vision 2023 and lessons distilled from Turkey's remarkable performance since 2002 have been very influential in shaping Turkey's priorities for chairmanship of the G20. Turkey crafted its priorities based on a strategy to share its experiences over the past decade and demonstrate its ability to contribute to world economic governance.

Turkey's improved business and investment environment; the wide-scale infrastructure projects undertaken; policies implemented to reduce inequalities and strengthening social inclusion; and measures





## Turkey believes that the world should not turn a blind eye to the biggest flow of migrants in decades

Prime Minister Davutoğlu addresses a G20 delegation in February. Turkey has given particular attention to outreach and engagement during its presidency

taken to support SMEs and enhance their access to finance have been key among the drivers of Turkey's performance over the past decade, and are inspiring features behind our main narrative for this year.

Vision 2023 itself will also be positively affected by Turkey's G20 stewardship in 2015. Being part of this crucial platform since its inception, Turkey reflected its views to the global agenda as a leading emerging market power and contributed to global policy coordination.

The G20's efforts to reinforce global economic cooperation and strengthen multilateralism against renewed setbacks provide undeniable benefits to all countries around the globe. The G20's central role in paving the path for the global economy's sustained and long-term development, addressing downside risks, safeguarding financial stability and reducing adverse external spillovers has an invaluable role in setting a conducive external environment required for Turkey to realise its goals by the centennial anniversary of the Republic. During this year, the Turkish presidency has remained very keen to strengthen the G20's efforts and sharpen its focus on these fronts.

In addition to maintaining macroeconomic policy cooperation and dialogue, Turkey is also a keen supporter of monitoring the implementation of comprehensive growth strategies agreed by the G20 leaders in Brisbane last year. These measures, if fully implemented, are expected to boost global growth by an additional 2% by 2018, and have positive repercussions on the Turkish economy in addition to the boosting

effect of the ambitious and comprehensive commitments of our own. In order to ensure these benefits, Turkey, as the G20 president, has undertaken an important task to develop a robust monitoring mechanism to keep implementation of the commitments on track. Moreover, Turkey has initiated country investment strategies to address investment gaps in G20 members to further boost the global and Turkish economy.

### Addressing issues at source

Turkey took this historic opportunity to reflect not only its views, but also to voice concerns of emerging market economies and its neighbourhood on the G20 agenda. Moreover, this stance will be clearly demonstrated at the Antalya Summit, with a discussion on the recent huge humanitarian emergency the world witnessed. Turkey believes that the world should not turn a blind eye to the biggest flow of migrants in decades, a multilateral problem that warrants multilateral action as well as a fairer burden-sharing. This requires preventive measures to address the problems at source countries, rather than a symptomatic reaction. We will take this issue seriously at the summit.

As the chair of the G20, Turkey has placed a special emphasis on outreach and engagement throughout the year. In this regard, in line with the established G20 principles, a representative set of countries – Spain, Azerbaijan, Singapore, Malaysia as the chair of the Association of Southeast Asian Nations, Zimbabwe as the chair of the African Union and Senegal representing the New Partnership for Africa's Development – were invited to the G20 meetings to enhance the legitimacy of the G20 and added value of discussions. In addition, the presidency, throughout the year, organised numerous outreach events all around the world in different themes covered in the G20 agenda to create an opportunity for a frank dialogue and exchange of views among the G20 and its stakeholders. Upon Turkey's initiative, the Women 20 (W20) outreach group was also established as a new G20 engagement group to promote gender-inclusive economic growth.

Turkey is determined to reach tangible results on the most pressing issues at the Antalya Summit and bring a meaningful difference to global prospects. This determination is adamant in Turkey, shared by a wide spectrum of politicians and officials profoundly. Towards the end of this year-long marathon, I gladly observe that Turkey is having a successful term with its goals internalised by the membership. Unsurprisingly, the G20 has made headway across each of the three priorities, the three 'I's, and there are numerous issues under the G20 agenda that yielded notable progress this year. I am confident that vigorous efforts exerted so far, via the G20 members' commitment and resolve, will culminate in Antalya, and the G20 leaders will have a very successful summit that will be remembered with landmark outcomes over the years to come.

Turkey's G20 presidency will come to an end right after the Antalya Summit; yet, eight years remain for Turkey to continue working tirelessly to realise its Vision 2023. ■

# BASF: 150 years of creating chemistry for a sustainable future

**A**s BASF celebrates its 150th anniversary this year, it is not only taking pride in its past achievements, it is also marking the occasion by looking forward and developing new ideas on how to create a sustainable future. Most importantly, it wants to include all its stakeholders in this effort. In the 150th year of its existence, BASF is celebrating by connecting people and ideas around the globe.

According to UN data, the world's population will reach nine billion in 2050 and about 70% of these people will live in cities. Everyone needs a roof over their head, clean water and electricity. In order



to feed nine billion people adequately, we will need twice as much food as today to reach all these people. How can that be accomplished if we cannot simply double the amount of farmland?

BASF has been looking at these trends and topics for many years. In 2015, its 150th anniversary year, BASF is focusing on three areas: energy, food and urban living. It is looking for innovative solutions to successfully address these challenges.

It is collaborating with customers and partners on challenges such as water accessibility in Mumbai, resource-efficient farming in North and South America, smart consumption in Shanghai, energy storage in Ludwigshafen, and low-income housing in São Paulo.

## 81 countries managed from Turkey

BASF realised its first sales in Turkey in 1880 and has operated in these lands for 135 years. BASF's Turkey Office currently has a significant and strategic position. In July 2013, the new Business Center Europe East, Africa, West Asia, EUE, was created in Istanbul, Turkey. At the structure

## According to the Patent Asset Index, BASF is the world's number one R&D company

based in Istanbul, we manage business in 81 countries, including Russia, South Africa and across the Commonwealth of Independent States, the Middle East and North Africa and Sub-Saharan Africa. Approximately 4,000 people are employed in these regions. There are around 800 employees in Turkey alone. BASF acts in various sectors, including chemicals,

plastics, dispersions and pigments, care chemicals, special chemicals and crop protection in Turkey. BASF products are used across sectors including electrics and electronics, automotive, construction, detergent and cleaning, drugs and cosmetics, animal feed, agriculture and foodstuff. BASF has six production facilities in Turkey located at Dilovası, Çayırova, Gebze, Trabzon, Adana and Pendik.

BASF has laid the foundations for future growth with its biggest investment programme of recent years. It strengthened its Verbund production in recent years. It invests in emerging markets. It invests to benefit from shale gas in the United States, as well as to increase the competitiveness of the facilities in Europe. Several new facilities will start their operations in 2015, and these facilities will continue production for the next 10, 20 or 30 years.

## The leading R&D company

The innovation journey, which made BASF the most innovative company in the world today, actually started on the very first day of its establishment, 150 years ago. BASF received its first patent only three years after its establishment. After that, BASF has always been the leader in research and development (R&D). We invested €1.88 billion in R&D in 2014; we have established R&D centers in 70 individual locations worldwide; and have approximately 10,700 R&D employees. This figure indicates that one in every 10 employees of BASF works in the field of R&D. We applied for 1,200 patents in 2014 alone; this is equivalent to 100 new patents a month. According to the Patent Asset Index, we are the world's number one R&D company, and we have ranked first for six consecutive years.

It's possible to give several examples of the innovative products developed by BASF. The research and development studies carried out for food packaging go hand-in-hand with food production



today – the cardboard boxes, films and bottles preserve the freshness of the food products through the innovations and advanced technology solutions in this field. Thus, food production becomes more efficient and safe. As the world's leading chemical company, we continue to develop the most environmentally friendly solutions in smart packaging with the innovations we are carrying out. BASF now produces beverage boxes and food containers from biodegradable plastics created with the composition of partially renewable raw materials.

Another field where we are a leader in innovation is the automotive industry. In 2013, BASF researchers developed the first FWC™ four-way catalytic converters for gasoline engines to find a cleaner solution. This new technology uses only a single component, and filters and removes the most important harmful emissions (hydrocarbon, carbon monoxide, and nitrogen oxide), as well as the particles coming out from the engine exhaust.

Another field where BASF is carrying out research is battery materials, giving electric vehicles longer range, and therefore bringing down costs. Plastic parts will

also make the vehicles lighter, and reduce fuel consumption. There is an enormous potential in the research and development field for us. In 2015, we want to increase our R&D investments once again.

### The next generation of chemists

Education and kids are in the focus of the corporate social responsibility projects BASF carries out with sustainability insight. We are aiming to endear kids to chemistry through educative projects. With the project 81 Chemistry Labs in 81 Cities, which we launched in cooperation with the Ministry of National Education in Turkey in 2010, we established chemistry labs in remote parts of Anatolia. We gave an opportunity to our students – who had not had the chance to work in a laboratory before – to perform scientific experiments with modern equipment and to have more efficient classes. We reserved a budget of €1.2 million for this project.

So far, we have established 50 labs in 50 cities, and we aim to achieve our '81 chemistry labs in 81 cities' target by the end of 2016.

We have also published a book, entitled *Chemistry of Anatolia*, to explain this

project. This is the first book in a four-part series. Each book talks about the 20 cities of Anatolia with a theme. We will be introducing all 81 cities one by one through the series. All revenues from this book will be donated to the Educational Volunteers Foundation of Turkey (TEGV).

Kids' Lab, one of our primary projects for the kids, offers a fun laboratory atmosphere where children have the opportunity to perform basic chemistry experiments under the supervision of private instructors. We have reached out to more than 10,000 kids to date, with Kids' Lab offering an opportunity to learn what chemistry is, not only theoretically, but also in practice through interactive experiments.

**BASF**  
We create chemistry

# Shared vision, global progress

— Turkey's G20 presidency has been an opportunity to contribute to global policy coordination, with inclusiveness at the centre of growth and development ambitions, writes Cevdet Yılmaz, Deputy Prime Minister, Republic of Turkey



Cevdet Yılmaz was appointed Deputy Prime Minister for Economic and Financial Affairs in September 2015, having been Minister of Development since 2011. He was appointed a State Minister in May 2009, having been elected a member of parliament in 2007. He has served as the President of the Turkish Delegation to the Inter-Parliamentary Union, a member of the European Union Harmonization Committee, member of the EU Joint Parliamentary Committee and the Deputy Chair of Economic Affairs in the Justice and Development Party.

@\_cevdetyilmaz

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**T**urkey has witnessed remarkable growth throughout the 2000s, thanks to prudent macroeconomic policies and comprehensive structural reforms. Turkey modernised its economy by addressing challenges in public finance, monetary policy, the banking and non-banking sectors, social security, healthcare, education, business and investment, and the labour market. It made great progress in transforming its economy into a stable, dynamic and well-functioning market economy.

With regard to monetary policy, the independence of the Central Bank of the Republic of Turkey was enhanced by a law enacted in 2001 that defined its primary objective as maintaining price stability. The central bank introduced a free-floating Turkish lira and switched to an inflation-targeting regime that used short-term interest rates as the main policy tool. One of the greatest achievements in recent Turkish economic history has been the reduction of inflation from historically high levels to single digits.

## Freeing up bank resources

Fiscal discipline was achieved by implementing a high primary surplus policy with comprehensive public sector reform and restructured public financial management. Public debt management was also restructured based on a sustainable, transparent and accountable policy that addresses financing requirements with the lowest possible cost in the medium and long terms, taking into account risk levels determined according to domestic and international market conditions. Improvements have not only contributed significantly to macroeconomic stability, but have also enabled the financial sector to improve its intermediary role.



The decline in public-sector borrowing requirements has helped free up bank resources from public-sector securities to loans.

Turkey also implemented landmark structural reforms to design a robust financial system. An initial step was to establish a new regulatory and supervisory framework. The financial system recovered from the unhealthy banks reminiscent of the volatile 1990s. New banking and capital markets laws upgraded the legal and institutional infrastructure and facilitated the diversity of financial products. Consistent with Turkey's Vision 2023 of transforming Istanbul into an international financial centre, Borsa Istanbul – which combines the Istanbul Stock Exchange, Istanbul Gold Exchange and the Derivatives Exchange of Turkey under a single roof – was established in 2014. Furthermore, through recent amendments to the insurance and private pension system, and to legislative frameworks for leasing, factoring and financing institutions, Turkey strengthened the regulatory landscape for the non-banking financial sector.

Significant strides have also been taken to improve the business and investment climate. Turkey developed its own structure for reforming the investment climate. To rationalise bureaucratic procedures and reduce red tape, it undertook a comprehensive reform programme. Turkey also introduced a new legal framework comprising the commercial code and the code of obligations for institutionalisation, competitiveness, confidence and transparency. Accordingly, it has pursued a non-discrimination and national-treatment policy



KEREM UZEL/BLOOMBERG VIA GETTY IMAGES

## Turkey implemented landmark structural reforms to design a robust financial system

Traders at work at Borsa Istanbul. Under its Vision 2023, Turkey plans to transform Istanbul into an international financial centre

towards foreign investment so international investors have the same rights and liabilities as local investors.

Likewise, the investment incentive system was restructured to reduce regional differentiation in development, to support large-scale investments including high technology and research and development (R&D), to promote sectoral conglomeration and to highlight economies of scale. The Law on Supporting Research and Development Activities came into effect to improve the innovation capability of the private sector and increase competition, and the budget allocated more funds to R&D.

### Resilience in the banking sector

Thanks to these efforts, well-disciplined public finance and a resilient banking sector have bolstered the Turkish economy. Despite unfavourable financial markets, Turkey managed to preserve its strong fiscal position. The ratio of public-sector borrowing to gross domestic product (GDP) continues to decline. The ratio of general government debt to GDP as defined by the European Union has remained at a low level, and the debt structure has improved. The sensitivity of debt stock to market volatilities has been reduced due to a borrowing policy based on strategic benchmarks. Likewise, the banking sector has remained robust

despite recent financial fluctuations. Turkish banks have performed impressively with strong balance sheets, capital adequacy and sufficiently high profitability ratios. The banking sector has been supervised closely within the framework of capital adequacy, asset management and profitability levels. Basel II standards have been implemented in capital adequacy calculations since 2012. Furthermore, the necessary legislation for implementing Basel III standards is nearly complete. Together with compliance with international standards, the capital adequacy ratio has remained above the legal minimum rate and the average of Turkey's peers. In addition, the banking sector's net general position of foreign exchange indicates the absence of an exchange rate risk. The sector enjoys high asset quality, while the ratio of non-performing loans to total loans hovers at quite low levels. Household liabilities as a percentage of GDP also remain quite low. With the measures taken in previous years to prohibit households from borrowing in foreign currencies, households now bear no currency risk arising from their liabilities.

Nevertheless, Turkey confronts several challenges, including a high current account deficit, dependency on energy imports and low domestic savings. Combating inflation, reducing the current account deficit and increasing potential growth by accelerating structural reforms are Turkey's priorities in economic policy. It is creating a new generation of reforms after a decade of transformation. The enhanced structural reform agenda and 25 Primary Transformation Programmes have been included in the Ten-Year Development Plan





METIN PALANADOLU AGENCY/BETTY IMAGES

During its G20 presidency, Turkey has worked extensively on increasing the participation of young people in the labour force

covering 2014-18 with the long-term economic targets and objectives along with solutions for the main structural challenges.

With its strong economy and expanding geopolitical influence, Turkey is increasingly active in international forums. Its G20 membership is a leading example of its effective engagement with the international community.

The G20 is the main platform for global economic cooperation, with its inclusive structure representing both advanced and emerging economies, accounting for almost 85% of global GDP. It has become more prominent since the global financial crisis of 2008, when G20 leaders started to gather for stronger global economic coordination to overcome the challenges triggered by the crisis. This cooperative approach has boosted confidence and improved expectations for the global economy. The G20 is a good model for enhanced cooperation and a valuable mechanism for the global economy.

As a prominent emerging market economy, Turkey assumed the presidency of the G20 on 1 December 2014. In an environment of high interconnectedness, with the actions of one country spilling over onto others, this is a historic opportunity for Turkey to contribute to the global economy. Financial and economic challenges, as well as social ones, are relevant in this regard. The G20's progress affects both members and non-members. The entire global community will benefit from its achievements.

Turkey thus set an ambitious agenda for its presidency with the motto of 'Collective Action for Inclusive and Robust Growth'. We have based our priorities on three pillars, the three 'I's of implementation, investment and inclusiveness.

Since the global financial crisis, the G20 has focused mainly on establishing a robust foundation for strong, sustainable and balanced growth. Members have proposed several macroeconomic and structural commitments. Timely, full and consistent implementation of these commitments is crucial to secure the outcomes. Therefore, Turkey has named 2015 the year of implementation. To this end, the

G20 has developed a robust monitoring mechanism to facilitate implementation of the members' commitments and deliver its ambition to attain higher growth in the coming years.

### A good environment for investment

On investment, this year Turkey is working on introducing country-specific strategies to boost investments to strengthen recovery and lift potential. Presenting concrete actions to improve the investment ecosystem, foster efficient infrastructure investment and support financing opportunities for small and medium-sized enterprises (SMEs), these strategies will form a blueprint for growth. With the understanding that public- and private-sector investments should be complementary, we are considering the best practices in public-private partnership models to encourage private-sector engagement. Furthermore, the exploration of alternative financing instruments would help boost long-term investments.

On inclusiveness, it is important to bring a strong perspective on low-income developing countries (LIDCs) into the G20's work, particularly this year when development is at the top of the global agenda. As G20 members, we reiterated our commitment to create an enabling and supportive environment for development to ensure that our actions contribute to inclusive and sustainable growth. Turkey also enhanced the G20's outreach efforts to the LIDCs to improve the inclusiveness of our discussions on the challenges facing LIDCs.

Regarding the domestic aspect of inclusiveness, Turkey has focused on SMEs and the vulnerable groups in our societies. To provide an effective conduit to voice the expectations and concerns of SMEs, we launched the private-sector-led World SME Forum in Istanbul to serve as a global body. We worked extensively on increasing the participation of youth and women in our economies. At Brisbane in 2014, G20 leaders announced the 25x25 goal to close the gender gap in participation by 25% by 2025. This year, Turkey has extended the work towards youth.

Turkey's G20 presidency has been an important opportunity and a great responsibility. We have the chance to contribute to global policy cooperation and coordination with an inclusive approach. We have strived to achieve inclusive and robust global growth and a stable and resilient international economic and financial environment throughout our presidency. This public good is certainly an invaluable asset for Turkey's growth and development ambitions. It will provide a strong stimulus to the country's 2023 targets.

G20 members have made generous efforts to deliver on the G20 agenda this year. Our first priority is to make the Antalya Summit a strong success with clear and concrete messages that the G20 leaders will send to the world. We are confident that we will pass the G20 presidency flag on to the next president, China, with strong outcomes and will remain actively involved in the efforts of the international forums to build a brighter future for all. ■

# SMEs: the key to sustainable growth



**Osman Çelik**  
CEO of Türkiye Finans

It has broken all molds in the market economy that small and medium-sized enterprises (SMEs) preserved their existence while huge companies went bankrupt in the 2008 economic crisis. Enterprises that are small, yet healthy and productive, create employment and bring added value to the country with their exports, rather than large but clumsy businesses, have become important drivers of growth for economies across the globe.

While even the countries where huge industrial companies operate, such as in the United States and countries within Europe, base their growth strategies on SMEs, the inclusion of SMEs in the G20 agenda during Turkey's presidency is the most important indicator that developed countries have learnt the necessary lessons from the crisis. Most agree that for economies to be built on stable ground and to become more resistant against potential future crises, sustainable growth is required. And the way to achieve sustainable growth is through SMEs.

It is an inarguable fact that SMEs will play a critical role in Turkey's sustainable growth path. According to the Small and Medium-Sized Enterprises Statistics 2014 data by the Turkish Statistical Institute, there are more than two million SMEs operating in the industrial and services sectors. SMEs account for 75.8% of total employment and 54.5% of wages and fees. Likewise, 59.2% of exports are completed by SMEs. Besides providing great added value with their production and export potential to Turkey's economy, SMEs also lead in realising new business ideas and

innovation, taking a total share of 48%. Based on these figures, it is clear that SMEs are the backbone of Turkey's economy, and fostering a favourable environment for their growth, development and protection is critically important.

## Increasing competitiveness

Through Turkey's economic and financial policies, SMEs are granted significant support in terms of mechanisms to increase their competitiveness and power.

With the development of regulations in the banking sector, particularly within the past two years, increasing domestic savings

## Small and medium-sized enterprises will play a critical role in Turkey's sustainable growth path

by restricting imports has become a key aim; and easing the burden of banks for SME financing has been actualised. Moreover, with the installment limitations introduced to the retail banking sector, growth rates in retail loans slowed down in the past year, while SME loans increased more rapidly.

This is also evident in the latest data from the Banking Regulation and Supervision Agency (BRSA). According to BRSA data from June 2015, while commercial and corporate loans have a 47% share within the total loan volume of 1.4 trillion liras, the share of retail-loans credit cards is 27%. SME loans' share is 26%. While SME loans amounted to 271 billion liras in 2013, this figure rose to 368 billion liras as of June 2015 – growth of approximately 35%. This increase in the SME loan volume is a pleasing development in terms of facilitating better access to financing for SMEs.

In 2015, Turkey will witness another exciting development in this field. During Turkey's G20 presidency, world leaders will gather in our country to discuss the role of SMEs for the first time. At the G20 leaders' summit, to be held in Antalya on 15-16 November, a global voice will be created for SMEs throughout the world.

Addressing this topic on a global platform is an important step in terms of supporting SMEs. G20 member states, composed of the world's biggest 19 economies, account for 80% of world trade, and discussing this topic on such a prominent platform offers us much hope for the future of SMEs in global growth and development. As previously explained by Ali Babacan, Turkey's former Vice Prime Minister responsible for the economy, negotiations with the International Chamber of Commerce are ongoing for SMEs. There is also the prospect of establishing a unique platform

for SMEs named as the World SME Assembly or World SME Collaboration.

All of these factors will come together to support the role and growth of SMEs in competitive global business conditions. SMEs will be supported in making new investments and expanding into foreign markets, and we believe that this business support will also help attract foreign direct investment to Turkey. As a result, our SMEs will not only gain access to financing based on domestic resources, but also to the long-term and low-cost financing resources often available in foreign markets. Providing enterprises with lower-cost financing will make direct contributions to the growth of SMEs, and also deliver indirect benefits to the growth of our national economy.

## We support businesses

At Türkiye Finans we are aware of the importance of SMEs with regard to the health of our country's economy. Since our foundation, we have supported the enterprises that produce and export in Turkey, and with our wide range of products and services we are able to support our clients as they make new investments and grow their businesses.



In Turkey, the Credit Guarantee Fund provides the opportunity of using loans on guarantee for SMEs that intend to grow or develop their business but have difficulties in creating collateral for the loan they need.

For almost eight years, Türkiye Finans has been the market leader in this area, with a market share of 31% in all loans extended by the banks, providing guarantee from the Credit Guarantee Fund. Therefore, we are the leading bank in terms of enabling SMEs to access the credit needed when they want to expand their businesses.

We provide SMEs with financial consultancy services from our 1,100-strong sales team working across 285 branches throughout Turkey. With our sectoral solution packages and flexible payment plans, we smooth the process for SMEs. With the Micro Banking segment established in early 2013, we intend to carry the support we provide for SMEs over to

micro SMEs as well. According to BRSA, our share in the SME cash loans among participating banks is 44.2%, and our share in the banking sector is 3.5%.

Offering innovative and high-value-added products and solutions in the area of SME banking has always been one of our fundamental principles. With our experience in this field and support from our clients, Türkiye Finans has been growing at a rate above the banking sector average every year. Our goal is to increase our total assets to approximately 40 billion liras by the end of 2015. In the medium term, we aim to increase our loan market share in the sector by more than 2%.

We believe that each step taken by our enterprises in the field of production, employment and exports, and each success achieved by them, will be a driving force behind Türkiye Finans as we pursue our growth objectives.

The fact that the role of SMEs in the global economy is being addressed as a top agenda item for the first time at this year's G20 summit is an exciting development, and a significant step in supporting economies as they aim for sustainable growth in a sound and stable economic environment.

Turkey's Finance  
**Türkiye  
 Finans** 

**Hürriyet Mah**  
**Adnan Kahveci Cad No:131 34876**  
**Yakacık Kartal İstanbul – Türkiye**  
**T: +90 216 586 70 00**  
**F: +90 216 586 63 26**  
**www.turkiyefinans.com.tr**



# Turkey's inclusive G20 energy agenda

— Increasing access to modern energy for all is a key pillar of the G20's energy policy. This year, sub-Saharan Africa has been a particular focus of discussion, writes **Ali Rıza Alaboyun, Minister of Energy and Natural Resources of the Republic of Turkey**



Ali Rıza Alaboyun was appointed the Minister of Energy and Natural Resources of the Republic of Turkey in 2015. He has served as the member of Parliament for Aksaray since 2002, as well as the Deputy Chair of the European Union Adjustment Commission in Parliament and President of the Turkish Group in NATO Parliamentarians.

[www.enerji.gov.tr](http://www.enerji.gov.tr)

**A** reliable supply of energy constitutes one of the main goals of countries seeking to enhance their welfare and sustainable development. Energy issues have multi-dimensional impacts on people's lives; on the environment; on social and economic development; on foreign policy; and on national security. The importance and role of the energy sector in accelerating sustainable economic and social development – which in turn improves people's lives – is becoming more evident in light of politics at both regional and global levels. Therefore, energy is at the top of the global agenda and, accordingly, the G20 has given it increasing importance and attention.

G20 members represent not only 85% of the global economy and 75% of global trade, but also two-thirds of the world's population. Therefore, discussing energy issues and elaborating on potential solutions at the G20 table has global ramifications, and reaches a global audience.

Turkey, as a member of the G20 and a country that bridges energy producers and consumers, is well aware of the significance of energy. In addition to experiencing recent demographic and economic growth, Turkey has become one of the fastest growing energy markets in the world. We believe that strengthening international cooperation and dialogue, particularly on energy security, is essential. In this respect, Turkey welcomes the G20's increasing role on energy issues.

In line with Turkey's G20 presidency's overall priorities of inclusiveness, investment and implementation, energy access (the first of the G20

Energy Principles on Energy Collaboration) is a priority on the 2015 G20 energy agenda. It is also linked to collective objectives in health, education, production and development, which have all been recognised in the United Nations Sustainable Development Goals, due to be completed by 2030.

The main focus of the G20's energy policy has been to improve the coordination of ongoing efforts to increase access to affordable, reliable, sustainable modern energy for all. Our efforts in 2015 focused on sub-Saharan Africa, where power poverty is at its most intense. In meetings of the Energy Sustainability Working Group throughout the year we held discussions with the UN's Sustainable Energy for All (SE4All) initiative, and with other relevant international organisations and African stakeholders.

The Turkish presidency also held consultations with African countries during the African Energy Leaders Group Meeting in Abidjan and the Financing for Development Summit in Addis Ababa. The outcome of this was the new G20 Energy Access Action Plan: Voluntary Collaboration on Energy Access, the first stage of a multi-year strategy. The plan was prepared and adopted by the G20 energy ministers on 2 October 2015, at the first ever such meeting in the history of the G20, held in Istanbul. Other major topics on the G20 energy agenda in 2015 include energy efficiency, renewable energy, market transparency and the phase-out of inefficient fossil fuel subsidies that encourage wasteful consumption.

In line with the G20 priority of energy access, Turkey also hosted the G20 Conference on Energy Access in Sub-Saharan Africa on 1 October 2015. It brought together G20 energy ministers, ministers from sub-Saharan Africa, institutional investors, representatives

**Discussing energy issues and elaborating on potential solutions at the G20 table has global ramifications, and reaches a global audience**

from international organisations and private-sector representatives. The goal of the conference was to understand risks perceived in the private sector, and the policy and financial measures that could be brought forward to alleviate those risks. Opportunities and concrete projects were also presented to the participants.

It is vitally important that, for the sake of inclusiveness, countries from beyond the G20 get involved in these discussions. Bringing G20 members and sub-Saharan African countries together at the energy ministers' meeting was an extremely important part of the G20's efforts to increase global awareness of energy-access issues in sub-Saharan Africa, and to elaborate on options for powering the region. ■

# Inclusiveness in the labour market

— Turkey's 2015 G20 presidency is behind a raft of new labour and employment initiatives, which form part of economic growth strategies across member states, writes **Ahmet Erdem, Minister of Labour and Social Security, Republic of Turkey**



Ahmet Erdem is the Minister of Labour and Social Security, Republic of Turkey. Ahmet Erdem was appointed Turkey's Minister of Labour and Social Security on 28 August 2015. As Deputy Undersecretary from 1996-97 and from 2003-07, he was responsible for the activities of Directorate General of Labour, Directorate General of Occupational Health and Safety, and Human Resources Department.

**H**aving experienced the importance of sound, comprehensive and inclusive labour-market policies during and after the global financial crisis, Turkey has prepared a far-reaching agenda for the G20's employment track. Supported by the Employment Working Group (EWG), the G20 labour and employment ministers touched upon several pivotal issues, such as reducing inequality and achieving better youth employment outcomes. Labour migration and the so-called silver economy of an ageing population were also covered on the G20 agenda for the first time. The G20's future engagement on these vital issues and adoption of the concrete targets require the support of the leaders when they meet in Antalya in November 2015.

In addition to creating enormous negative economic and social consequences, the 2008 global financial crisis provided policymakers around the world with an opportunity to test their socio-economic resilience. The pressure on labour markets had also been undeniably high in Turkey,

although, thanks to comprehensive policy measures, closely coordinated with social partners, it recovered faster than many other countries.

As early as the first quarter of 2014, Turkey had managed to decrease its unemployment rate to 9.1% below the pre-crisis level of 9.4%. This indicates a recovery quicker than the average for members of the Organisation for Economic Co-operation and Development (OECD). In addition, 6,300,000 new jobs were created over the six years between May 2009 and May 2015. Turkey is also one of several G20 members that has actually managed to decrease income inequality in the past decade.

This rapid recovery in Turkey's labour market is obviously closely linked to the fact that its economy



managed to record positive growth rates for 23 consecutive quarters. The Economic Coordination Council, which brings together the ministers responsible for macroeconomic management, made it possible for decisions related to the economy and the labour market to be taken based on shared wisdom and to be implemented consistently and decisively.

As a direct result, economic and political stability was strengthened, and fiscal discipline was consolidated in Turkey. Thus, continuing infrastructure investments, manufacturing sector expansion and the move from agriculture to other sectors became possible, driving economic and employment growth.

## Strategies for effective recovery

The 2008 social security reform and new legislation on key employment and labour market issues (including the right to organise as well as occupational safety and health) proved effective during and after the crisis.

In this respect, another important step for Turkey was the adoption and implementation of the national employment strategy, which had been prepared in close coordination with social partners. This strategy sets concrete targets and policy actions for strengthening the link between education and employment, increasing labour-force participation levels, providing flexicurity (an integrated strategy to enhance flexibility and



JOERG BOETHLING/ALAMY STOCK PHOTO

As part of Turkey's 2015 agenda, G20 labour and employment ministers have concentrated on making labour markets more inclusive

security in the labour market), and strengthening the relationship between employment and social protection.

Given its own experience throughout the crisis, Turkey set up a comprehensive employment agenda for its presidency of the G20 in 2015. In accordance with Turkey's three 'T's of inclusiveness, investment and implementation, and with the help of the efforts of the EWG throughout the year, G20 labour and employment ministers concentrated on making labour markets more inclusive, increasing human resource investment and implementation through effective monitoring.

## The Turkish presidency has sought a concrete commitment to resolving the challenge of youth unemployment

In this context, one of the most urgent issues facing the Labour and Employment Ministers' Meeting in Ankara on 3-4 September 2015 was the long-term trend of rising inequality and declining wages in many G20 economies, and its negative impact on current and potential growth. Thanks to the comprehensive work of the EWG, supported

by a sub-group on labour income share and inequality, the ministers endorsed the G20 Policy Priorities on Labour Income Share and Inequalities as an annex to their Ankara Declaration.

In addition to covering such an important and comprehensive issue as inequality at the G20 level for the first time, the Turkish presidency has sought a concrete commitment to resolving the challenge of youth unemployment. As a result of a shared motivation among the G20 members – and in line with the projections made by international organisations – the ministers agreed to reduce the share of young people who are most at risk of being permanently left behind in the labour market by 15% by 2025. The G20 Policy Principles for Promoting Better Youth Employment Outcomes include a detailed prescription for achieving this ambitious target.

Another significant step taken by the labour and employment ministers was to establish a self-reporting template for the country-employment plans prepared by G20 members during Australia's 2014 presidency. This mechanism will not only increase the implementation of the employment plans, but will also provide an opportunity to track previous G20 commitments such as improving occupational safety and health, increasing female participation and decreasing unemployment in the youth sector.



## The G20 Employment Working Group

There is no doubt that the global financial crisis left a remarkable legacy, not only in financial circles but also on labour markets. Addressing these multifaceted problems requires collective and concerted action at the G20 level. To this end, the G20 labour and employment ministers gather annually to discuss the labour market and employment challenges. Following their first meeting in Washington in 2010, they have met in France (2011), Mexico (2012), Russia (2013), Australia (2014) and Turkey (2015).

At the end of the French G20 presidency in 2011, the G20 labour and employment ministers agreed to set up the intergovernmental Task Force on Employment, composed of G20 representatives, with contributions from relevant international organisations and consulting social partners, as appropriate. The task force's initial mandate was to provide input to the ministerial meetings, and it has continued to do so under the G20 presidencies of Mexico, Russia and Australia.

At the G20 summit in Brisbane in 2014, G20 leaders agreed to establish the Employment Working Group (EWG) on a permanent basis. When Turkey assumed the G20 presidency in December 2014, it consolidated this progress by drafting the EWG's terms of reference. The EWG was thus transformed into a fully fledged G20 working group.

The EWG has met four times under the Turkish G20 presidency in 2015. It has conducted important studies and provided input for the G20 Labour and Employment Ministers' Meeting on the priorities of strengthening the link between employment and growth; enhancing policy coherence between employment plans and growth strategies; assessing the impact of inequality and labour-income fluctuations on employment and growth; determining the contribution of labour mobility to growth; helping the silver economy and active ageing to flourish; strengthening the link between education and employment; monitoring trends and progress on youth employment and occupational safety and health; promoting progress on gender gap commitments; expanding employment services; and setting up a G20 database.

The outcomes of all these efforts and the discussions among the labour and employment ministers in Ankara are summed up in the Ankara Declaration and its annexes. Those documents, along with all the details regarding the background of EWG and other documents, are available on the official website of G20 Employment Working Group at [www.g20ewg.org](http://www.g20ewg.org), which is also a product of Turkey's G20 presidency.

Apart from this significant progress, Turkey's G20 presidency has also included concrete steps in other important areas, such as adopting the G20 Skills Strategy, the G20 Framework on Quality Jobs and the G20 Principles for Effective Public Employment Services. Moreover, international labour mobility and migration were discussed by the ministers for the first time at G20 level (although further work is needed to promote fair and effective management of this issue). Last but not least, G20 Principles on the Silver Economy and Active Ageing were also adopted for effectively managing the economic consequences of ageing populations.

### Coordinating future action

Significant progress towards policy coherence among various G20 forums has also been achieved by the EWG and the Development Working Group, which have put together a multi-year framework for cooperation between the two groups. In this way, it will be easier to expand the work and experience of the G20 employment track to the rest of the world.

Finally, the opportunity for a joint meeting of the G20 finance and employment ministers in Ankara on 4 September enabled an integrated approach for some of the most important cross-cutting issues, namely

## Significant progress towards policy coherence among various G20 forums has been achieved by the Employment Working Group and the Development Working Group

tackling inequality and strengthening the link between growth and employment. This close cooperation among various tracks of the G20 is expected to deepen to include joint activities between the EWG and the Framework Working Group.

In sum, 2015 has brought a busy schedule and an ambitious agenda to the G20 employment track. Thanks to close coordination and cooperation among G20 members and the contributions of social partners, engagement groups and international organisations, Turkey's presidency has shaped a sound framework for future action.

The success of these steps depends on the determination and commitment to be shown by G20 leaders at their summit. After all, the labour market challenges facing all G20 members – such as inequality and youth unemployment – are complex issues demanding comprehensive action. Controversial issues such as international labour migration require high-level political commitment and substantial cooperation among the leaders of all G20 members if future efforts are to make significant inroads in these areas. ■



The Employment Working Group has met four times under the Turkish G20 presidency, working to enhance the link between employment and growth, among other things

# Openness in the business community

— This year's B20 summit set a new standard for participation and inclusivity across a variety of fields, says Rifat Hisarcıkloğlu, Chair, B20, and President, Union of Chambers and Commodity Exchanges of Turkey



M Rifat Hisarcıkloğlu is Chair of B20 Turkey and has been President of the Union of Chambers and Commodity Exchanges of Turkey (TOBB) since 2001. He is also Deputy President of EUROCHAMBRES; Vice President of the Islamic Chamber of Commerce, Industry and Agriculture; Vice President of the Confederation of Asia-Pacific Chambers of Commerce and Industry; a member of the board of the International Chamber of Commerce; and International President of Jerusalem Arbitration Center.

@RHisarcıkloğlu

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Since 2010, the Business 20 – or B20 for short – has operated as the G20's most prominent and influential outreach group. In this capacity, it has convened business executives, association leaders and policy experts from across the world every year to develop new recommendations relevant to the global business community and economy. Between 2010 and 2014, more than 400 recommendations from a wide variety of fields were developed through this process, in areas as diverse as trade, infrastructure and anti-corruption.

When Turkey was formally awarded the presidency of the G20 and its constituent outreach groups for 2015, Prime Minister Ahmet Davutoğlu introduced a new kind of leadership for the process. Instead of operating under the status quo, the Prime Minister encouraged a strategic vision for the G20 and B20 that would place an emphasis on the three 'I's of inclusiveness, implementation and investment. After all, at its core the G20 is about global leadership, not just about the members themselves. And, by many accounts, in recent years the G20 had fallen short in driving real, discernible change in the world.

We at the B20 took this directive seriously, and worked to create an inclusive conference that prioritised action over mere talk. In this spirit, the B20 held regional consultations in nine countries on four continents during the year. These forums – spread out among both G20 and non-G20 countries – brought previously uninvolved business leaders into the fold, and allowed them to vote on the proposed topics they saw as most important. This feedback helped shape the direction the B20 took in crafting the prioritised recommendation list that was handed to the G20 leaders in September.

In the spirit of inclusiveness, B20 Turkey also introduced the new SMEs and Entrepreneurship Taskforce this year. Given that small and medium-sized enterprises (SMEs) now account for two thirds of all private-sector jobs and 80% of net job growth globally, the time was ripe for the B20 to represent smaller businesses more formally in its process of developing recommendations, and to give more focus to the challenges they face. Such challenges include financial regulations, which have choked SME lending since 2008, as well as skills and managerial gaps that have increasingly worsened for smaller businesses in recent years.

B20 Turkey outlines its recommendations for solving such issues in the B20 Policy Summary. It furthermore endorses the mandate of the newly formed World SME Forum (WSF) to scale up the potential of SMEs globally. The WSF is an independent, not-for-profit organisation that can advocate for SME interests among regional and international standard setters (such as the G20 or the Asia-Pacific Economic Cooperation forum) and have a say when potentially impactful or harmful legislation is being pushed. The WSF can also

**SMEs account for two thirds of all private-sector jobs and 80% of net job growth globally**

coordinate with global organisations to deliver better services to SMEs and integrate them more fully into international value chains, which are quickly becoming central to the global economy.

In addition to the SMEs and Entrepreneurship Taskforce, B20 Turkey features five other taskforces, all with their own sets of recommendations: Trade; Infrastructure and Investment; Anti-Corruption; Employment; and Financing Growth.

The Trade Taskforce recommends that governments avoid tariffs and localisation barriers that strangle trade, as well as policies that insulate firms from competition and kill innovation. The taskforce continues to implore governments to ratify the World Trade Organization's Trade Facilitation Agreement.

The Infrastructure and Investment Taskforce calls for the resolution of the global gap in infrastructure funding – a problem that has become more pressing in recent years. To do so, it recommends that governments implement regulations and standards that invite both foreign and domestic investment, as well as develop project marketplaces that can increase liquidity.

The Employment Taskforce urges governments to recognise that skills education and business mobility must be improved. Governments are encouraged to implement sensible strategies for their citizens, and to allow more open access to innovators and entrepreneurs. To do so, member countries should implement G20-wide entrepreneur visa programmes



FATİH MEHMET KOKSOY

as soon as possible. Educational reforms that stress managerial and entrepreneurial skills, as well as computer literacy, should be implemented.

The Financing Growth Taskforce recommends that governments finalise the financial reform agenda and enable regulatory consistency across markets. It furthermore advocates policies that would broaden and deepen SME access to financing, a necessary feature of any plan to grow smaller enterprises in the future.

### Achieving greater transparency

The B20 also maintains that systemic corruption can no longer be downplayed and ignored. Its Anti-Corruption Taskforce calls for concrete measures to expedite the elimination of corruption. The taskforce proposes the introduction of digital customs and procurement systems across all G20 nations. Such systems – based on previously successful trials in Turkey and elsewhere – would greatly reduce corruption, save money and engender new trust in public institutions.

On 3-5 September 2015, these recommendations were formally unveiled for G20 leaders at the B20

conference in Ankara. After nearly a year's worth of work developing these recommendations, this moment was both meaningful and rewarding for all of us involved in the process. These recommendations, after all, have the potential not only to spur economic growth, but also to create millions of jobs for individuals throughout the world. There is thus a definite pride in seeing them advance to the international stage.

Moreover, we at the B20 Secretariat were proud of the conference itself. With attendance from more than 1,200 individuals from 68 countries (449 from outside Turkey), the 2015 B20 conference was the most international yet. Better still, it was inclusive, from the months leading up to it, all the way to the sessions themselves. The panels were kept diverse, all attendees were able to participate in the exchanges, and the conference itself maintained an open and friendly air that encouraged discussion before and after sessions.

Given the importance of the topics and recommendations at hand, as well as the goals set out at the beginning of the year, such openness and inclusiveness are huge successes for the B20 in 2015. ■

During the B20 conference in Ankara in September 2015, the group's recommendations were advanced to the international stage

# A new vision for competitiveness and innovation in Turkey



**Arda Ermut**  
President, ISPAT & WAIPA

## What would you consider the most important industrial sectors in Turkey at this time, and what programmes are in place to attract foreign and domestic investment in these areas?

The Investment Support and Promotion Agency of Turkey (ISPAT) was established in 2006 to promote Turkey's enhanced business environment to international investors and to attract foreign direct investment (FDI) in key strategic sectors through a proactive strategy. Under the strong leadership of Recep Tayyip Erdogan, who established ISPAT and directly attached the Agency to Prime Minister as a sign of importance given to FDI, Turkey has successfully attracted around \$150 billion worth of FDI between 2003 and 2014. A large portion of the FDI, around \$44 billion, flowed into the finance sector, followed

by real estate and manufacturing with \$30 billion and \$27 billion respectively. Many multinational companies (MNCs) also moved their regional headquarters to Turkey during this period. In addition to the high and sustainable growth rates, FDI has also contributed significantly to the creation of an additional six million jobs since the onset of the 2008-09 global financial crisis.

Although the Turkish economy has tripled in size over the past decade and has successfully transformed its industrial and economic structure, there are still challenges that need to be overcome to maintain high and sustainable economic growth into the 2020s. Among the most important structural challenges that necessitate Turkey placing a vital role on FDI and FDI promotion are increasing the diversification and sophistication level of Turkish manufacturing and exports through high-technology products, improving the competitiveness of exporting firms, particularly SMEs, and tackling the current account deficit. In fact, during the first decade of the 2000s, Turkey successfully transformed its manufacturing base from low-tech and labour-intensive production to medium-technology products in the automotive, machinery and chemical sectors. However, we believe that the Turkish manufacturing and service sectors have even higher potential in more sophisticated areas, such as high-technology

production in machinery, petrochemicals, agro-food, information and communication technologies (ICT), and professional services, all of which are essential for continued economic transformation.

The 14 years of political stability and effective governance helped Turkey to maintain a sound and much stronger budgetary and fiscal discipline, especially when compared to European countries, which made Turkey resilient to global shocks. The extensive dependence of critical Turkish industries on foreign energy resources and imports of intermediate goods has resulted in high current account deficits, which makes energy another important sector for FDI. Turkish policymakers are well aware of the need to put a larger emphasis on FDI, especially the 'quality' of investment inflows, not only for boosting our exports but also for transforming Turkey into a regional high-technology research and development centre, as well as an attractive base for regional headquarters.

Taking into account the structural challenges I have just mentioned, and in accordance with the new strategic orientation of Turkey, ISPAT is now developing a more encompassing and sophisticated agenda for investment promotion and after-sales investor services. Government strategies and action plans defined by the government



workforce in Turkey. These measures include harmonisation of the national education system with the labour market, development of the basic skills of individuals who are currently receiving an education, development of the basic skills of the less experienced individuals currently in the labour force, and improvement of vocational skills.

**What benefits has Turkey's G20 presidency generated for the country's business community, and what opportunities do you expect to be created as the focus turns to the G20 Antalya Summit in November?**

To begin with, I would like to say that when Turkey took over the G20 Presidency it announced that it would focus on some key areas that fall into three categories known as the 'three Is'. The first I, inclusiveness, centres on two important subjects: small and medium-sized enterprises (SMEs) and low-income developing countries (LIDC). SMEs make important contributions to national economies in terms of employment, entrepreneurship and innovation. In other words, they are

**SMEs are the backbone of national economies, and therefore the global economy**

the backbone of national economies, and therefore the global economy, so we have to put a special emphasis on them. LIDCs, on the other hand, consist of 70 countries that have a high potential to support global economic growth. Turkey has committed itself during its presidency to focus on problems of SMEs and LIDCs in an effort to promote a more inclusive global economy.

The second I, implementation, is about doing the difficult but necessary things needed for the country, leading the change, and convincing people. In this regard, Turkey proposed a monitoring framework to oversee the implementation of various reform commitments. The third I is investments. Investments, especially infrastructure investments, are vital for global welfare and prosperity. Therefore, Turkey took it upon itself to open the debate about how to finance such huge investment projects.

under the leadership of Prime Minister Ahmet Davutoglu, now tuned to 2019, have placed FDI and FDI promotion front and centre. In this regard, ISPAT's new vision cuts across Turkey's industrial, developmental and trade strategies with a perspective to boost domestic productivity, augment international competitiveness and increase innovation. The goal of this vision is to continue Turkey's transformation into a high-tech production hub and a management and trade centre in the Europe, Middle East and Africa (EMEA) region.

**Which countries would you consider to be Turkey's key trading and investment partners, both currently and in the future?**

The answer to your question is related to the targeted strategic sectors that are necessary for Turkey's sustainable growth and development. In this sense, Western European countries, the US, Gulf countries, Japan, China, South Korea, Russia and the Turkic Republics are natural investment partners of Turkey, both currently and in the future. Turkey's unique characteristics, such as a dynamic population with an average age of 30; a viable and growing economy; a location providing access to European, Middle Eastern, North African, Central Asian and Gulf markets covering 1.6 billion people with \$28 trillion total GDP; and a regional energy corridor

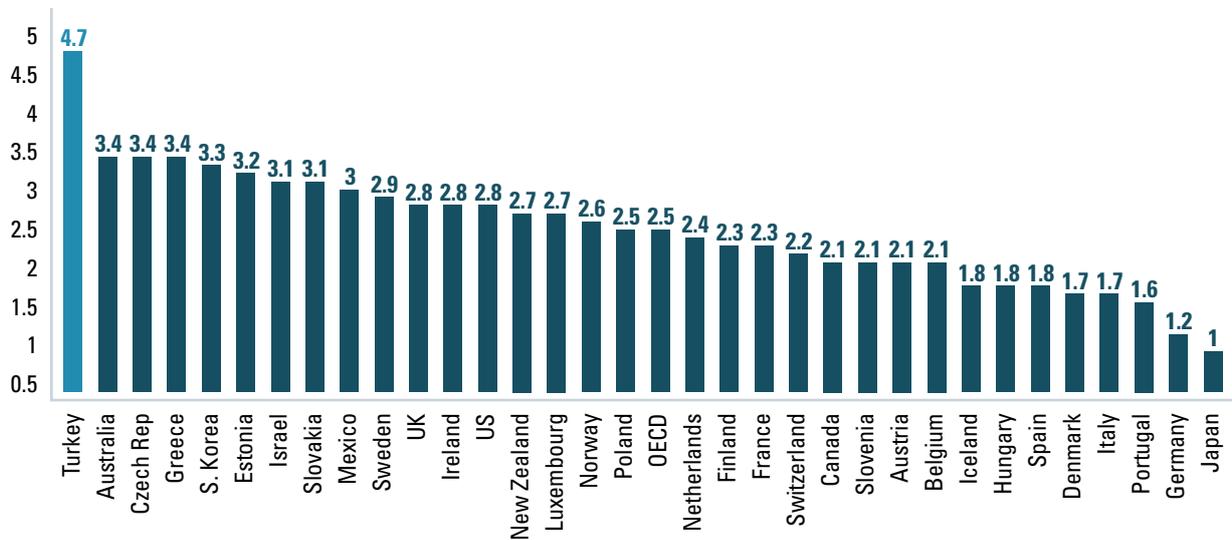
position securing energy supply pipelines between energy-rich countries and Europe make Turkey attractive for these natural investment and trading partners.

**A well-qualified labour force is key to generating future economic growth. What measures are in place to ensure that Turkey's workforce continues to develop the knowledge and skills for today's globalised business environment?**

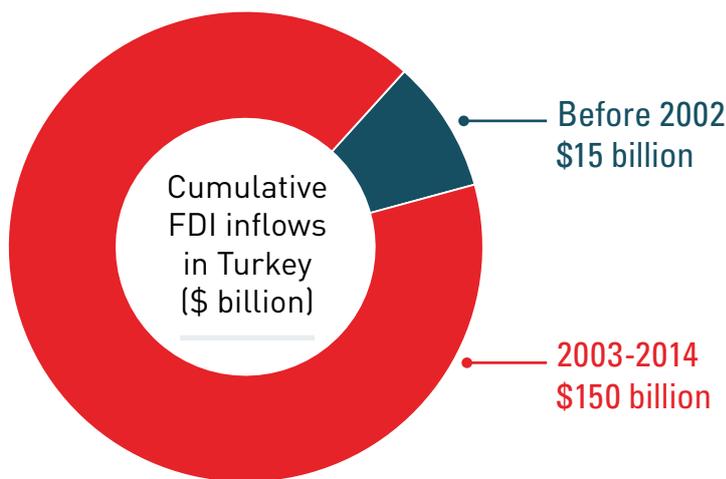
While capital inflows or capital formation are necessary assets for economic growth and development, they are not sufficient. Countries and companies have to have a well-educated and skilled labour force to compete in a globalised and fast paced business environment. Being aware of this necessity, our government has announced a comprehensive reform agenda for the labour market of Turkey. This reform agenda has three main priorities: forming an effective labour market, attracting a qualified labour force, and developing basic and vocational skills. The third priority is especially important, since basic and vocational skills allow individuals to stay in the labour market for a longer time while increasing their efficiency and enabling them to easily adapt to changing conditions in the workplace.

In this regard, several measures will be in place to ensure a more developed

### Average annual real GDP growth (%) forecast in OECD 2014-25



SOURCE: OECD ECONOMIC OUTLOOK NO. 97 EDITION: 2015/1



SOURCE: UNCTAD AND CBRT

These three Is have provided Turkey and its business community with a theme to discuss G20 agenda items such as growth and inequality, private-sector support for infrastructure investments, financial inclusion, SME funding, financial globalisation, the regulatory reform agenda, and the B20 agenda. Turkey's G20 presidency has allowed our country's business community to express opinions and put forth proposals related to these items and therefore contribute more effectively to G20 work.

**The G20 Turkey Summit clearly provides an unrivalled chance for Antalya, as well as the entire country, to present itself as an**

**attractive tourist destination. What initiatives and incentives are available to promote and increase tourism in the local area and across Turkey?**

First of all, I would like to focus on Turkey's position as an attractive tourism destination. From 2002-14, the number of international tourist arrivals doubled, now reaching approximately 40 million per year. Antalya is the most preferred region based on the number of incoming foreign visitors. The number of four-star and five-star hotels in Antalya's downtown and surrounding districts such as Kemer, Belek and Kaş is more than 500, putting Antalya into a position where it is able to host 34% of total foreign visitors to Turkey. Istanbul

follows closely, playing host to 32% of the foreign tourists during the 2002-14 period.

Improvement in tourism infrastructure plays a key role in Turkey's drive to promote and increase tourism activities. For this reason, investments in hotel properties rated three-stars and above are included in the regional incentive scheme and are granted a VAT exemption, custom duty exemption, tax reduction, land provision, interest support and coverage for the employer's share of insurance premium payment. In addition, there are also exceptions for special types of investments, such as mountain hostels and facilities and boutique hotels, for which a three-star rating is not required.

Similar to the number of tourist arrivals, Antalya, which is hosting the G20 meetings, has the highest number of incentivised investment projects at 23% of the total. Following Antalya in this regard are Istanbul, Muğla, Izmir, Mersin and Balıkesir. I believe this is another field in which we must accelerate diversification, since many other cities in Turkey have great potential to be the next tourism success story, just like Antalya.



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# Contributing to sustainable development

— The Think 20 is fulfilling its mandate of adding depth to ongoing G20 policy discussions, and will advance its work in reinventing the development agenda ahead of the Antalya Summit, explains **Güven Sak**, Chair, Think 20



Güven Sak is the founding Managing Director of TEPAV, which chairs the Think 20 under Turkey's G20 presidency. He is also a member of the Steering Committee of B20 Turkey. Sak taught economics at Ankara University from 1995-2003. He served as Vice Rector of TOBB Economics and Technology University since its founding in 2006, and Acting Rector between 2011 and 2013. Between 1984 and 1995, he was a Research Officer and later Chief Economist at the Capital Markets Board of Turkey. He is also a founding member of the Monetary Policy Committee.

@guvsak

[www.t20turkey.org](http://www.t20turkey.org)

The G20 was established as a mechanism to address financial crises in emerging markets and their global spillovers, following the 1997 Asian financial crisis. The expansion of financial markets pointed to a need for multilateral principles for controlling capital movements, to be used as a basis for policymaking in the capital's country of origin and in the recipient countries.

The elevation of the G20 from a meeting of finance ministers and central bank governors to the leaders' level in 2008 coincided with the global financial crisis that hit advanced countries. Its subsequent rise to prominence shows not only the growing significance of emerging economies, but also the centrality of multilateralism in the global economy, and the need for cooperation between advanced economies and emerging markets.

Yet, the G20 has no say in the development issues facing the emerging economies that is commensurate with its significance in global governance. While emerging markets have significantly increased their weight in the global economy, inequalities remain both within and between countries. First and foremost, the rapid pace of technological development in advanced countries reinforces

inequalities between these countries and emerging economies. Technological transformation runs through all the issues on the G20 agenda from development to employment, from growth to trade. The technological upgrade of developing economies

and small and medium-sized enterprises (SMEs) is critical for them to compete in global markets and to achieve sustainable global growth.

Furthermore, rapid industrialisation, urbanisation and population growth in emerging markets pose significant environmental, socioeconomic and public health risks. Emerging technologies, from synthetic biology to artificial intelligence, offer opportunities to address these risks.

The focus on development is critical for the G20 to further its relevance in global governance. At present, the central international policy institutions do not adequately address developmental challenges or advance global sustainable development. Within the G20 framework, the International Monetary Fund was responsive to the needs of developing countries while the World Bank was not. Korea's G20 presidency in 2010 sought to integrate development issues into the G20 agenda. In 2015, the Turkish presidency put development at the centre of its agenda with its inclusiveness priority and cross-cutting priorities of low-income developing countries (LIDCs) and SMEs.

## Think 20 Turkey

The Think 20 (T20) is an official engagement group of the G20 that was initiated by the Mexican G20 presidency in 2012. The T20 is different from the other engagement groups in that it is not an advocacy platform. Instead, the T20 collects ideas from global think tanks, academics and experts in order to provide analytical depth to ongoing G20 policy discussions.

The Economic Policy Research Foundation of Turkey (TEPAV), an independent think tank based in Ankara, coordinated the T20 activities during Turkey's G20 presidency. Building on the inclusiveness priority,

**While emerging markets have significantly increased their weight in the global economy, inequalities remain both within and between countries**

TEPAV expanded the T20 network by bringing together think tanks, academics and experts from both G20 and non-G20 members and increased the number of T20 events in Turkey and different parts of the world. In order to ensure closer cooperation between network partners, TEPAV facilitated joint research among them and established a T20 website.

Another feature of the T20 process in 2015 is direct interaction with the G20 finance ministers and sherpas and strong links with other engagement groups, in particular the B20. Lastly, building on the idea that think tanks and academia are less likely to be constrained by political considerations and are free to think outside the box, TEPAV expanded the scope of the T20 agenda

# A perfect mix

— With its track record of success and its ideal location in one of the biggest tourist areas in the Mediterranean, ICF Airports Antalya is excelling in the present and ready for a bright future

ICF Airports has been operating all terminals at Antalya Airport since 2007. The management, with its clear commitment to safety, security, quality, environment and sustainability, has turned Antalya into an award-winning airport. As well as being named ACI Best Airport in Europe in 2011, it is also one of only 20 airports in Europe that holds the Airport Carbon Accreditation Level 3+ (Neutralisation) certificate.

Since the start of operation, ICF Airports has managed and developed a rapid and steady expansion. The average growth rate in terms of passengers exceeds 12% annually over the past 15 years, and, with more than 28.5 million passengers handled in 2014, the company is ready for the projected future growth.

## Top-rated tourist attractions

In addition to ICF's high-quality management, Antalya Airport has the advantage of being ideally located in the heart of the region, surrounded by a unique mixture of attractions to be enjoyed throughout the year, including:

- 640km of coastline, innumerable historical landmarks and 10,000 years of cultural heritage;
- access from the Anatolia mountains to the Mediterranean shores by cable car;
- diving tours to sunken planes and secret treasures;
- parachuting or paragliding;
- views of turquoise sea or the stunning countryside from a yacht, a motorbike or on horseback;
- tennis courts, football fields or golf on one of the world's best-prepared and maintained golf courses;
- endless hiking paths, winter skiing, rafting and canoeing areas, and secluded shores to immerse yourself in nature;
- shopping in boutiques or modern malls with a whole range of products, from local goods to worldwide brands;
- award-winning hotel infrastructure, made up of more than 2,000 hotels with more than 600,000 beds across all categories, boasting attractions that will transform your holiday into an adventure for your children and a relaxing spa and wellness escape for you;
- provision of the latest technology and the highest medical standards, rendering your holiday a trip for both body and soul;
- concerts, festivals and a wide selection of conferences.

Backed by this broad and exciting range of attractions, Antalya is proud to be hosting the G20 summit and the Botanical Expo 2016.

Turkish culture and hospitality will make you feel at home from the moment you arrive in Antalya. Enjoy a never-ending symphony of different tastes from breakfast

## Turkish culture and hospitality will make you feel at home from the moment you arrive

to dinner: meat, fish, cheese, vegetables, fruit, wine and juices, all produced in the region – just for you. From the first ray of sunlight early in the morning, to the last twinkle of the stars late at night, whatever you expect and whatever you are looking for, you can be sure to find it in Antalya.

Antalya Airport handles flights from more than 300 destinations to and from the main markets of Western Europe, the Commonwealth of Independent States (CIS), as well as an increasing number of direct connections to the Middle East. The management team at ICF Airports looks forward to welcoming you.

 **ICF Airports**  
The first impression of Antalya

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to include issues beyond the immediate and operational concerns of the G20, such as innovation and technology.

T20 Turkey introduced into the G20 agenda the discussion of technological transformation and innovation, pointing to their primacy in development. The T20 discussion on technology and innovation addressed developmental issues that were on the United Nations development agenda and were part of the Turkish G20 presidency's inclusiveness priority in 2015. This initiative also coincided with the Turkish Government's initiative to incorporate the Innovation 20 – an unofficial effort that began during Australia's 2014 G20 presidency – into the T20 framework.

### Innovation for development

T20 Turkey set the stage for a future-focused technology and innovation agenda for the G20 during the TEPAV-Economic Policy Forum Seminar on Innovation and International Technology Diffusion. The seminar targeted the formulation of a G20 framework for the international diffusion of innovation and technology. It made specific recommendations regarding the cross-country alignment of innovative policies; the development of regional cross-border, cross-sectoral and cross-technology value chains; the needs of innovative start-up entrepreneurs and SMEs; cross-country systems for comprehensive and differentiated skilling programmes; and a global platform and fund for research and development.

T20 Turkey also focused on employment and the new skills requirements of the digital economy,

The T20 has laid the groundwork for a future-focused technology and innovation G20 agenda

particularly for workforces in developing countries with limited access to skills development. In dialogue with the G20 Employment Working Group and the B20's Employment Taskforce, the T20 developed a framework for the establishment of a global skills accelerator to address skills mismatches between the demand for skills on the part of employers and the labour supply and education systems.

### A new approach

In 2015, T20 Turkey also prioritised the need for the G20 to engage with the emerging digital economy. Discussions highlighted collective action to improve the digital economy in order to spur global economic growth and job creation by facilitating e-commerce, SME integration into the digital economy, infrastructure development, skills development, and information and communications technology (ICT) for development.

T20 Turkey will host two more conferences on the eve of the G20 Summit in Antalya. The T20 Innovation 20 Conference on 13 November 2015 will focus on how biotechnology, nanotechnology and ICT can contribute to sustainable growth and development. The Global Policy Dialogue Conference on Sustainable Development on 14 November, co-hosted by TEPAV and the United Nations Development Programme, will address how the G20, the UN and other international organisations can cooperate to advance sustainable development. The two events together underline the need to reinvent the development agenda in the G20, as well as in global governance. ■

# Paving the way for innovation



TEB Startup House



**Ümit Leblebici**

Chief Executive Officer, TEB

**T**urkey has undertaken the 2015 presidency of G20 – a premier platform for global economic and financial issues. This is a historic and crucial opportunity for our country. Specifically this year, under Turkey's chair, the G20 focused on ensuring inclusive and robust growth through collective actions in accordance with the three Is: implementation, inclusiveness and investment for growth.

When it comes to ensuring inclusive and robust growth, small and medium-sized enterprises (SMEs) are at the heart of discussions. In the global economy, they employ more than two thirds of the private-sector workforce and provide more than 80% of job growth. SMEs and entrepreneurs, who are SMEs of the future, are crucial engines of growth in any healthy economy. Entrepreneurs are playing a vital role by developing new products and services based on innovative ideas, implementing more efficient production methods and creating new business models and industries. They are generating jobs and influencing communities with their innovative approaches. For all these reasons, there is a growing recognition of the importance of entrepreneurs in the

world. Many countries have introduced a range of programmes and policy initiatives to support entrepreneurship. Under the Turkish presidency, SMEs and entrepreneurship are top priorities, and G20 countries are keen to take action to enhance international support for their development.

## Driving innovation forward

When we look closely at Turkey, we see that our country's stable economic programme led it to become one of the fastest-growing countries among emerging markets. Turkey's economy is well founded. However, this is not enough for us to reach the next level. The rapidly changing demands of today's world also define the terms of competition in business. Non-stop developments in technology and the new products and services they spawn force businesses to constantly innovate in order to not just be noticed but also to survive among competitors. Leading companies from different sectors around the world

that follow sustainable innovation strategy are able to reflect innovation efforts in their financial statements, too. This is also true for Turkey. Especially in recent years, there have been many contributions from different sectors for a culture of innovation. The crucial point here is that companies should not see investing in innovation as just project management; their target should be making a permanent and sustainable contribution to innovation culture.

At Türk Ekonomi Bankası (TEB), we invest in innovation continuously and indeed are bold in our efforts to do so. Through our efforts over the past eight years, we have spread a culture of innovation throughout our bank and made it intrinsic to all our operations, and valued by our employees. I can say with confidence that we have made innovation a part of our DNA. Furthermore, our efforts in driving innovation have played a part in mapping out the course ahead for our whole industry.

Despite this, having an innovative idea or developing groundbreaking innovative products are not enough. Innovative ideas that are not converted to economic added-value products stay insufficient. At that point, entrepreneurship gains importance, because as innovation underlies today's growing economies, entrepreneurship underlies innovation.

## The mainstays of economic growth

While acknowledging that innovation is one of the mainstays of economic growth, it is

## When it comes to ensuring inclusive and robust growth, SMEs are at the heart of discussions

important to realise that digitalisation is another. Today, it is only those who keep a close watch on global trends, keep pace with the digital revolution and are attuned to the signals of change who are innovative.

All over the world there has been a tremendous increase in smartphone and tablet use that has been driven by growing user demand for both mobility and convenience. To give an example from the financial sector, we see that while various



TEB Head Office

applications are established in branchless banking day by day, the number of users are increasing parallel to this. According to the figures published by the Banks Association of Turkey, 14.3 million people were using some form of online banking as of end 2014, and the number of mobile banking users had reached 6.7 million. These numbers are evidence that digital banking has become a widespread choice among banks' customers. They also confirm the validity of our decision to focus on this business line.

### Strategic banking

At TEB, we recognise the strategic importance of digital banking, and that is why we strive to keep our digital channels compatible with the new features that technology is constantly making possible. The focal point of all of these investments is CEPTETEB, a mobile application that we intend to use to keep expanding the dimensions of the digital banking experience.

On the entrepreneurship side, startups are 'born digitals' in today's world, and so they are easily adapted to the business world, which is becoming increasingly globalised and digitalised. According to the statistics, about 70% of newly established SMEs consider global expansion within

the first few years of operation. On the other hand, developing ecommerce in the international space is a quick way of expanding. Its potential is expected to be enhanced by removing the barriers of the traditional trade system as well as the emerging barriers to the digital economy.

The use of digital technologies is identified as the single most important driver of innovation, competitiveness and growth. However, SMEs in the G20 have not yet reached their full potential in this area, as the quality of the digital infrastructure and its use by companies varies significantly. As a result, making investments in this area should be a main focus of the G20 members.

### The entrepreneurship ecosystem

As digitalisation and technological innovation processes speed up worldwide, entrepreneurship as another indispensable part of innovation also becomes prominent. What is really important is the ability to create a broad financial ecosystem. Just as San Francisco created its own ecosystem that attracts talented entrepreneurs from the four corner of the globe, we have to do something similar here in Turkey.

It is a fact that SMEs are the backbone of the Turkish economy, and this is also the case in many developing countries

worldwide. Hence, SMEs are vital to the world economy, and their role as an engine of economic growth, investment, employment, and innovation is growing.

### A new approach to banking

At TEB, after realising that the financial sector was not equipped to deeply analyse the behaviours and businesses of SMEs, we launched a new banking approach where we positioned ourselves as the Consultant Bank of the Turkish SMEs. To this end, we provide comprehensive products and services. This was a game changer in the market, based on not only providing financial support to SMEs, but also helping them to grow their business and markets.

As a result of the success being achieved in TEB SME Banking, we decided to adapt our experience, innovative approach and know-how to the entrepreneurship ecosystem and launched TEB Startup Banking nearly three years ago. In order to reach startups that we see as the SMEs of the future, we launched the most comprehensive startup banking programme in Turkey and positioned our bank at the centre of the entrepreneurship ecosystem.

When we looked at the nature of entrepreneurs, we saw that they are different from SMEs. So, we needed to build a new structure for TEB Startup

Banking that spanned the loan allocation department right through to relationship managers in order to be completely focused on startups. We redesigned all financial and non-financial products and services offered by TEB SME Banking by taking the specific needs of startups into consideration.

We went beyond what might be expected from a bank and opened TEB Startup House in İstanbul as part of our TEB Startup Banking programme. We have designed TEB Startup House as a business management consulting and training centre and opened its doors to all entrepreneurs who say 'I have an innovative idea'. Startups have access to a wide range of training, consultancy and mentorship support free of charge at TEB Startup House. The consultants of TEB Startup House not only provide support for the startups during the idea process, but also advise on selling, marketing, business planning and commercialising their projects. Every week, participants at TEB Startup House are provided with no-charge training on a host of crucial issues ranging from how to set up a business venture to how to make it a viable company.

Furthermore, startups – especially technological ones – that are chosen with their software and IT projects get Business Management Consultancy support at TEB Incubation Center, located in TEB Startup House, during the process of

## SMEs need to be more integrated in the world, which now more than ever is digitalised and innovative

commercialising their projects. They are also guided in how to present their project to angel investors.

Encouraging international networking for entrepreneurs is vital in today's connected world, and entrepreneurs need to be competitive in the global arena. To do so, they need to participate in international networking and collaboration with other entrepreneurs to exchange knowledge, mentor one another and foster a culture of innovation.

Our TEB Startup House Point in Silicon Valley is a great opportunity in this regard. We support startups that have potential to expand abroad and provide them with our



expertise in consultancy, mentorship and networking. We use every means available for them to benefit from networking opportunities from us and our global partner BNP Paribas there.

### Empowering women in business life

The G20 has committed to strengthening gender equality in employment as well as addressing youth unemployment, and at the same time unlocking the potential of the SME sector. These are all important priorities. Achieving the goal of reducing the gap in participation rates between men and women in G20 countries by 25% by 2025 is estimated to bring more than 100 million women into the labour force. Overall, closing the gender gap could boost GDP by up to 34% for developing countries and increase growth by 12% in OECD countries. All of these figures tell us that supporting and empowering women in business life is essential for sustaining economic growth and job creation.

Women make up about 40% of the global workforce, while 28% of business enterprises have female bosses. In Turkey, we see that only 14% of microbusinesses and 18% of SMEs are run by women. When you take all of these statistics into account, the average rate of female participation is around 15.6%. That figure should be higher. So, at TEB, we took action and launched TEB Women Banking this year. The initiative supports women-owned SMEs and women entrepreneurs, and their presence in business. Besides unsecured loans, we are also offering financing packages specially put together to make it easier for

women entrepreneurs to gain access to the financing they need for their businesses.

By paving the way for women in Turkey to be entrepreneurs through TEB Women Banking, we are also going to be increasing their presence while simultaneously supporting sustainable business models. We aim at giving women all the support they need to ensure that their businesses are viable, and that they may become tomorrow's bosses and SMEs. We will also be working to help women-owned SMEs compete in international markets and maintain their presence through sustainable growth. Our focus is on helping women fulfil their potential as producers and not just consumers of economic benefit.

We believe that the benefits of growth and prosperity should be shared by all segments of society, as this is essential for sustainable economic growth and job creation. SMEs need to be more integrated in the world, which now more than ever is digitalised and innovative. Innovation-based entrepreneurship needs to be developed to realise a new model that will carry the economy further. It is our shared duty to remove the obstacles faced by SMEs and pave the way for entrepreneurs to convert their innovative ideas and projects into reality.



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# Low-profile forums making a big impact

— Beyond the G20 is a growing range of multinational meetings, which are elevating different issues to the level of global governance, explains **Andrew F Cooper, Professor, Balsillie School of International Affairs and Director, Centre for the Study on Rapid Global Change, University of Waterloo**



Andrew F Cooper is a professor in the Department of Political Science and the Balsillie School of International Affairs, as well as the Director of the Centre for the Study on Rapid Global Change at the University of Waterloo. Among his books as author or co-author is *The Group of Twenty (G20)* and, as editor or co-editor, *The Oxford Handbook of Modern Diplomacy*. His article 'MIKTA and the Global Projection of Middle Powers: Toward a Summit of Their Own' was recently published in *Global Summitry*.

@AndrewfCoop

www.andrewfcooper.com

**T**he G20 operates as the hub of global governance, both explicitly as a crisis committee (with a sustained focus catalysed by the 2008 financial shocks on a highly technical economic-oriented agenda) and implicitly as a steering committee (with an ability to stretch its mandate into a range of geopolitical/social issues). In terms of institutional practice, the G20 exists at the centre of an expanding range of plurilateral forums. Rather than disappearing, the G8 has reinvigorated itself in like-minded terms as the G7 with the suspension of Russia in the aftermath of the Crimea and Ukraine interventions. The BRICS group of Brazil, Russia, India, China and South Africa has acted not only as a caucus in the context of the G20 (meeting on the sidelines either before or after the G20 summit), but also as an increasingly confident generator of its own initiatives, notably with respect to the creation of the New Development Bank.

Until recently, the non-G7/BRICS members in the G20 have been absent from these institutional arrangements. The main cluster of activist middle powers sought compensation for this lack of alternative forms of membership by a

vigorous form of engagement via the G20. Significantly, the bulk of the hosting function with respect to the G20 has been undertaken in recent years by these middle powers, Korea at Seoul in 2010, Mexico at Los Cabos in 2012, Australia at Brisbane in 2014 and Turkey at Antalya in 2015.

The establishment of MIKTA by Mexico, Indonesia, Korea, Turkey and Australia in 2013, reveals the spillover importance of the G20. Historically, the set of connections among these five countries has been uneven and at times divisive. Yet, with membership in the G20 as glue, MIKTA has gone some way in closing the gap between the plurilateralism promoted by the G7 and BRICS countries and those countries that can be deemed institutionally as the missing middle.

## Degrees of informality

Up to now, to be sure, there is a difference of style and scope between the G7/BRICS and MIKTA. MIKTA is constituted as a low-key forum of foreign ministers, whereas the G7/BRICS meet with great spectacle at the leaders' level. Nor has MIKTA evolved in terms of a substantive agenda. Yet, this modesty of approach does not preclude MIKTA from moving into a different stage of operation. The G7 and BRICS both started at the ministerial level (with finance ministers taking the lead in the G7 and foreign ministers convening the first meetings of BRICS, or more precisely BRIC, without South Africa). The focus of both the G7 and BRICS leaders' meetings at the outset was to act as talk shops, building up a club culture based on a high degree of informality.

On this basis, therefore, the caution of the development of MIKTA is not unexpected. Nor should this style prevent MIKTA from taking a more robust and substantive approach as it moves forward. In part, the logic of doing so is based on necessity. MIKTA countries do not have a similar range of alternative global options. Not only are they not among the Permanent

**MIKTA could be used to highlight the need to address the refugee issue, and even for collective action on a global basis**

Five members of the United Nations Security Council (UNSC), but none of the MIKTA countries is a candidate for elevation to the UNSC. Even their ability to win non-permanent seats at the UNSC is not assured, as witnessed by the failure of Turkey to win a seat in 2014.

For MIKTA, the only real option for pushing ahead with the G20 is to emphasise regional organisations. This has been a salient track for all the MIKTA members.

While the capacity of MIKTA to complement its regional orientation persists, the middle powers are more likely to assume global prominence as a result of a specific issue. As telegraphed in an article written jointly by the MIKTA foreign ministers in November 2014, published in the *Daily Sabah*, there are several scenarios in terms of policy targeting. One is the



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promotion of post-2015 development cooperation, with particular respect to upgrading infrastructure. Another is a focus on health governance. And yet another is an emphasis on disaster risk management and humanitarian assistance.

### Room for all issues in a crowded agenda

Disaster risk management and humanitarian assistance appear to be the most attractive of these choices in terms of comparative advantage. All of the MIKTA countries have experience in this functional arena. For example, Turkey mobilised impressive relief efforts in the Philippines after Typhoon Haiyan in November 2013. Still, as with the creation of the G20 at the leaders' level in 2008, shocks on the ground might play a part in moving MIKTA onto a very different stage. Since the 2014 Brisbane Summit, Turkey has signalled its intention to give considerable attention to the Syrian refugee crisis. With a very crowded economic-oriented agenda, though, amid concerns about maintaining inclusive growth, dealing with an issue that tilts the G20 in the steering committee direction may not work at Antalya in November.

The MIKTA Foreign Ministers' Meeting took place in May 2015 in Seoul, Korea. Representing middle powers, the group is likely to gain global prominence as a result of a specific global issue, such as health governance

If there is such blockage in the way of elevating the refugee issue at the Antalya Summit, MIKTA could be used to highlight the need to address the refugee issue, and even for collective action on a global basis. The main lesson learnt from the experience of the G7/8 at the height of its influence in global governance is that it could be mobilised as an ideational or policy tool to deal with issues well beyond its original mandate. BRICS, from a very different position in the global system, has acted as a consistent voice against institutional inequalities in bodies such as the International Monetary Fund and the World Bank.

Although not as powerful structurally or coherent in terms of their internal coordination as the G7 or BRICS, the MIKTA members have some offsetting advantages. They represent a constituency that is deeply committed both to the G20 and the basic rules of the global system. They can work together as a functionally driven caucus on an issue such as the refugee issue. At the same time, MIKTA has an opportunity to both elevate its own institutional personality on the world stage and to have a positive, just-in-time impact in a missing component of global governance. ■

# Experts in Turkish law



**C**errahoğlu Law Firm was founded by Prof Dr M Fadlullah Cerrahoğlu in 1966. Based in Istanbul, it has 40 staff, including 20 full-time lawyers. They speak several languages: Turkish, English, French and German.

The firm has another office in Ankara and covers areas of law including anti-corruption and compliance, mergers and acquisitions, intellectual property, anti-trust, banking and finance, real estate, labour law, arbitration, corporate and commercial law, litigation and tax.

The **corporate department** works with more than 100 multinational and national public and private companies in Turkey across various fields, giving advice on contracts, preparation of loan opinions, directors and general assembly meetings, agreements (including share purchase), shareholders, construction, hotel management, licence, franchise, employment, escrow, loan, management, service, asset purchase, leasing, mortgage and other real estate agreements and consultancy agreements.

Cerrahoğlu provides legal opinions on Turkish law matters when required by creditors for lending, leasing and other transactions. The firm has worked in major mergers and acquisitions (M&A) of both public and private companies; has represented issuers in connection with initial and secondary public offerings and issuance of debenture bonds; and has worked in major privatisation projects in Turkey.

Key clients in this practice area include Coca-Cola Company, Ferrero, Magneti Marelli, Nike, Jumeirah, Siemens, Boston Scientific, Groupe SEB, Electrolux, Autoliv, Towers Watson, Communisis, Amadeus, Pasinex, Hilton, The Nuance Group, ITW, Osram and Nexans.

The **competition** department gives legal assistance regarding competition issues, especially M&A filings, negative clearance and exemption applications, preparation of assessments and memoranda on various aspects of Turkish competition law in comparison with the European Union competition law, and provides assistance in investigations.

Key clients in this practice area include Coca-Cola, Ferrero, UIP and Doğadan Gıda Ürünleri San. ve Paz. A.Ş.

The **litigation** department is mainly involved in domestic litigation and rental and acquisition of immovable property, labour law, unfair competition, intellectual property, tax, construction and joint-venture conflicts.

Key clients in this practice area include Coca-Cola, McDonald's, Almana Group, Daikin, Nike, ThyssenKrupp and Walmart.

The **arbitration** department is involved in various domestic and international arbitration proceedings as counsel.

Prof Dr M Fadlullah Cerrahoğlu has acted as co-arbitrator and chairman in arbitration proceedings.

Key clients in this practice area include Aitaldi, Istanbul Metropolitan Municipality, Kanel, Başarı, Ferrero and ING Bank N.V.

The **taxation** department provides tax and fiscal consultancy services and performs litigation services relating to tax disputes, including informing clients about the up-to-date Turkish tax legislation. It also provides opinion in the areas of corporate income tax, personal income tax, value-added tax, stamp tax, tax issues in free zones, tax treaties in order to avoid double taxation, and cross-border and financial leasing. Furthermore, the department offers advice on all fiscal issues related to foreign exchange legislation, banking legislation, foreign capital legislation, capital market board legislation, incentive legislation, commercial law, labour law and social security legislation. It also contacts public authorities to request opinions and rulings; analyse tax risks and tax opportunities associated with structures; and helps its clients to structure tax-efficient activities.

Key clients in this practice area include Almana, Baxter, Çayeli Bakir Isletmeleri A.Ş., Electrolux, Groupe SEB, Hilton, Orion Mine Finance, Nike, Pasinex and Samsung.

## CERRAHOĞLU

AVUKATLIK BÜROSU / LAW FIRM

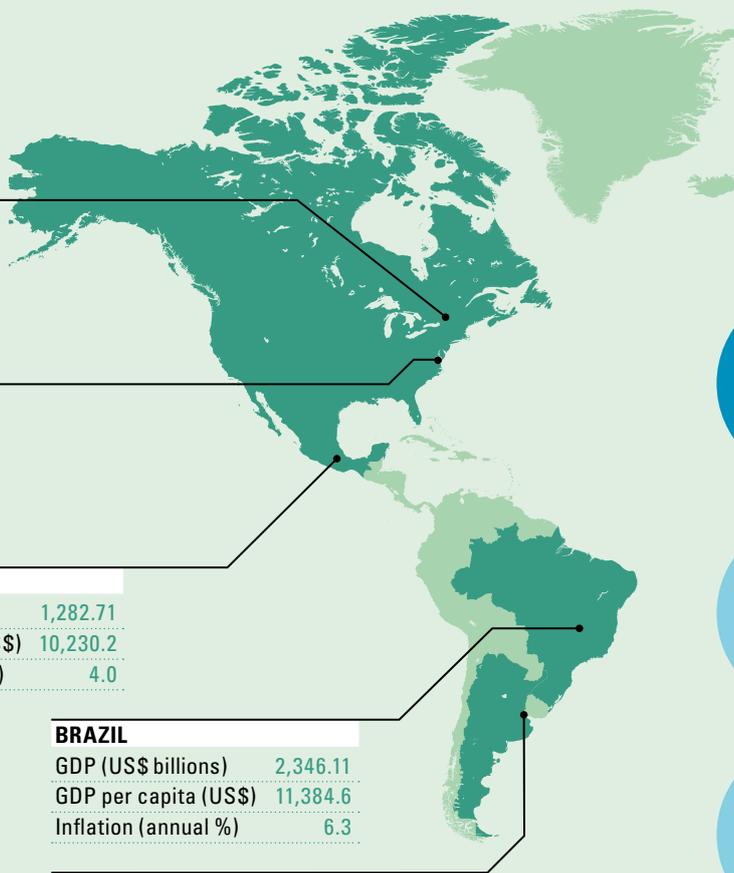
T: +90 212 355 30 00

F: +90 212 266 39 00

E: [cerrahoglu@cerrahoglu.av.tr](mailto:cerrahoglu@cerrahoglu.av.tr)

[www.cerrahoglu.av.tr](http://www.cerrahoglu.av.tr)

# The G20 countries: growth and development



## CANADA

GDP (US\$ billions) 64,097.085  
 GDP per capita (US\$) 2,521.38  
 Inflation (annual %) 1.9

## UNITED STATES

GDP (US\$ billions) 17,419  
 GDP per capita (US\$) 45,603.3  
 Inflation (annual %) 1.6

## MEXICO

GDP (US\$ billions) 1,282.71  
 GDP per capita (US\$) 10,230.2  
 Inflation (annual %) 4.0

## BRAZIL

GDP (US\$ billions) 2,346.11  
 GDP per capita (US\$) 11,384.6  
 Inflation (annual %) 6.3

## ARGENTINA

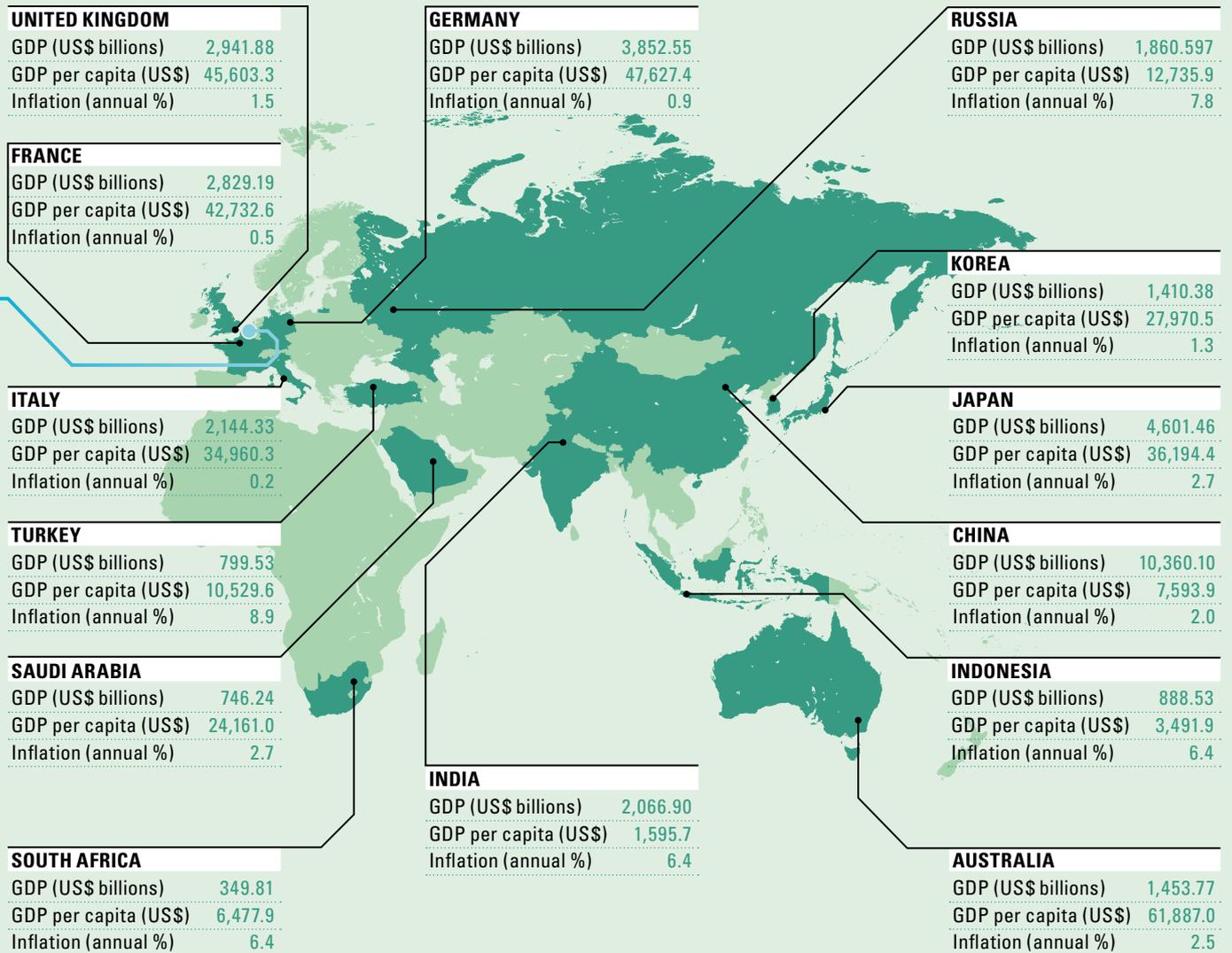
GDP (US\$ billions) 540.19  
 GDP per capita (US\$) 12,568.6  
 Inflation (annual %) N/A



## Employment statistics, 2014

	Share of adult population with advanced education %	Labour force participation rate, men %	Labour force participation rate, women %	Unemployment rate, men %	Unemployment rate, women %	Youth labour force participation rate %	Youth unemployment rate %
Argentina	25.9 (2012)	72.7	47.8	6.5	8.4	38.7	18.8
Australia	37.2 (2013)	70.9	58.6	6	6.2	66.6	13.3
Brazil	12.6 (2013)	70.1	50.1	5	8.5	49.3	16.1
Canada	55.8 (2013)	70.6	61.6	7.4	6.4	64.2	13.5
China	N/A	N/A	N/A	N/A	N/A	N/A	N/A
France	27.2 (2013)	61.1	51.8	10.5	10	36.6	24.2
Germany	26.0 (2013)	66.3	54.8	5.3	4.6	49.9	7.7
India	N/A	74.4	25.8	4.1	7.7	N/A	N/A
Indonesia	7.7 (2013)	83.4	50.3	6	6.4	48.3	21.6
Italy	13.4 (2013)	58.7	40.1	11.9	13.8	27.1	42.7

SOURCE: INTERNATIONAL LABOUR ORGANIZATION



\*INFLATION AS MEASURED BY THE WORLD BANK CONSUMER PRICE INDEX  
SOURCE: WORLD BANK

SOURCE: INTERNATIONAL LABOUR ORGANIZATION

	Share of adult population with advanced education %	Labour force participation rate, men %	Labour force participation rate, women %	Unemployment rate, men %	Unemployment rate, women %	Youth labour force participation rate %	Youth unemployment rate %
Japan	36.8 (2013)	70.4	49.2	3.8	3.4	43	6.2
Korea	35.8 (2010)	74	51.3	3.6	3.5	28.7	10
Mexico	14.7 (2013)	78.3	43.1	4.8	4.9	45.6	9.5
Russia	60.1 (2013)	74.7	63	5.8	5.2	44.9	13.7
Saudi Arabia	21.4 (2013)	78.2	20.4	2.9	22	17.3	30.4
South Africa	14.3 (2013)	63.4 (2013)	50.4 (2013)	23.1 (2013)	26.7 (2013)	25.3	51.3
Turkey	13.3 (2013)	71.2	30.2	9	11.8	40.8	17.8
United Kingdom	31.7 (2013)	68.6	57	6.4	5.8	57.9	16.9
United States	40.6 (2012)	69.2	57	6.3	6.1	55	13.4
EU	25.4 (2013)	65.2	52	11.3	11	38	25

# The business viewpoint

— The heads of two major organisations - Mitsubishi Electric Europe and the Global Coalition for Efficient Logistics - share their opinions on the impact of financial regulation, protectionism and labour market participation



**Yoji Saito**, President and CEO for Europe, Middle East and Africa, Mitsubishi Electric. Mr Saito has worked for the Mitsubishi Electric Group for 32 years. He has extensive experience in Asia and Europe, having held various positions in Japan, Thailand, Singapore, Germany and the UK.

[www.mitsubishielectric.com](http://www.mitsubishielectric.com)



**Captain Samuel Salloum**, Co-Chairman, Global Coalition for Efficient Logistics (GCEL). He holds several worldwide logistics patents, and has testified before the US Congress as a logistics expert. In addition to his role at GCEL, Captain Salloum is also the Chairman of the World Logistics Council.

[www.gcel.net](http://www.gcel.net)

**The B20 - a G20 outreach group that advocates for business - is urging G20 leaders to implement structural reforms that will help ensure strong, sustainable and balanced growth. What do you consider to be the main barriers to private sector activity, and how can the G20 work to remove them?**

**Yoji Saito (YS):** One of the main drivers of economic activity is private sector business and it has a key role to play in achieving strong, sustainable and balanced growth, both nationally and internationally.

As well as large organisations, small and medium-sized enterprises (SMEs) are essential in the development of the private sector, but factors such as access to capital, tax and investment barriers can hinder activity and prevent growth.

Promoting improved access to finance for SMEs and improving the regulatory framework is a key theme of the G20 this year. With the focus of the Turkish presidency on inclusiveness, implementation and investment for growth, the G20 should work to achieve its goals in this area.

**Captain Samuel Salloum (SS):** The G20 is putting forth much effort towards implementing structural reforms. However, many proposed policies are essentially recommendations that no one country is obliged to implement. While the G20 can continue to recommend policies, we need to select workable and

implementable policies that revolve around the same theme that everyone can agree on. Let us focus on policies that consist of a common denominator and are tangible, comprehensive and quantifiable. For example, during the 2015 Turkey B20 presidency, the common denominator is the digital economy.

Against this backdrop, we should go to the ground level and start to ask the real economy participants what they want the digital economy to look like. With the collective opinion and data available, only the technology industry can materialise the digital economy per the requirements of the real economy participants. Therefore, we should empower the digital economy as a tool to enhance trade efficiency, reduce costs and increase global trade. This will ensure a strong and sustainable global economy while removing the barriers to growth.

**Have stronger financial regulations and supervision helped or harmed the ability of business to raise the funds to operate and expand, and what should the G20's next steps be here?**

**YS:** Financial regulations are designed to make the system safer and more secure, and financial systems have been greatly strengthened since the 2008 crash, but these regulations can have unintended consequences and lead to business development and growth stalling due to heavy regulatory requirements.

The G20 has been talking about this for a long time, with topics such as financial regulation, international tax and international financial architecture high on the agenda, but now is the time for action, which the G20 is committed to this year.

**SS:** The first thing that comes to mind is that financial regulations are important within our financial structures. One of my concerns at the moment is about compliance. Regulations evolve with the change of time. However, they are becoming more rigid and strict, making compliance a major issue.

The reality is this: policymakers are asking financial institutions to grant more financing to our SMEs that contribute nearly 70% to the world's gross domestic product. Conversely, recent regulatory policies have resulted in banks incurring disproportionately high underwriting costs, thereby causing them to de-risk their portfolios and spurn SMEs in favour of larger businesses. How can we help our SMEs?

To resolve this situation, we need a digital platform providing high-quality, validated information to simplify compliance reporting from the ground level of the borrowers to the banks and to the regulators. This digital platform must dynamically link the banks to the global value chains, reducing their credit and transaction risks, thereby increasing the supply of SME funding.

Enhanced regulatory compliance requires a platform providing the necessary tools to facilitate the necessary reporting, efficiently and successfully.

**Trade barriers, protectionism and slower expansion of global value chains are some of the core constraints on trade growth, which the World Trade Organization estimates may stay below 3% in 2015. How have persistent trade issues affected businesses?**

**YS:** Restrictions such as quotas, tax on imports and duties are all factors that can impact the flow of trade between countries. These barriers can create inefficiency in business and lead to the misallocation of resources and of course ultimately loss of profit. Trade barriers can also impact a business's ability to expand internationally if the flow of goods is hindered by any of these factors.

**SS:** The leaders of our countries must protect their own citizens because that is what they are entrusted to do. However, international organisations sometimes use protectionism as a reason when we do not succeed in finding a solution to achieve trade growth.

We should learn from history to boost trade in an efficient manner to bring prosperity. When the shipping container was invented in 1956, it drastically reduced the cost of trade and changed the landscape of trade at large. In fact today we are still enjoying the benefits of the shipping container.

We can do it again and write a new history of trade by leveraging 21st-century technology to reduce trade

costs and boost trade, thereby opening new opportunities for job creation and sustainable economic growth.

Another way to improve global value chains is by not concentrating only on high-income countries with just 15% of the world's population. It is in the interest of high-income countries to also build the buying power of mid- and low-income countries representing 45% and 40%, respectively, of the world's population. This is the starting point for global market expansion. Therefore, instead of competing on the same size economic pie, we should grow the pie for the benefit of all.

**The G20 principle of inclusiveness aims to remove barriers to employment and improve labour-force participation, particularly for youth and women. What policies would you like to see governments adopt to this end?**

**YS:** The G20 represents two-thirds of the world's population and 50% of the world's poor, and so of course this is a core theme for members. Diversity and inclusion is imperative in ensuring that the benefits of growth and prosperity are felt by all. To that end, increased access to job opportunities for vulnerable communities, young people and women is a key issue that governments should address.

Good jobs help to reduce inequality and providing appropriate training and education is also an important challenge for governments in reducing employment barriers for young people and women.

**SS:** We must view employment issues by using our 21st century glasses, since such challenges need advanced visibility to ascertain market trends in order to equip the next generation of employees with the necessary market skills.

Employment must also be built in relation to growing markets in other countries. Previously, it has been highlighted that Europe bought products totalling €960 billion a year from China, while Europe's net deficit with China was €169 billion. Think about this.

If Europe buys more low-value products from the South Mediterranean, it would create a spillover effect by increasing the employment and buying power in these countries. In turn, the South Med can then purchase higher value goods and services from their European neighbours. Meanwhile, China can then transition its manufacturing from low-, to mid- and high-value products, thereby alleviating the pressures to revalue its currency value and minimising its dependency on high-income countries. This is a win-win situation that the G20 is looking for when balancing the world economy.

Based on the foregoing, GCEL published an economic road map with the League of Arab States and the African Union, supported by the Union for the Mediterranean, specifying how the digital economy can increase Europe/Middle East and Africa trade by \$389 billion and create 40 million jobs. This is how you build jobs in the 21st century – by thinking out of the box. ▶



# 63%

of the G20's priority commitments were complied with between the Brisbane Summit and June 2015

For more on this, visit [g7g20.com](http://g7g20.com)



\*Source: G20 Research Group



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## The G20 has established a World SME Forum to unlock opportunities for entrepreneurs and businesses. What other measures can governments implement to encourage and support entrepreneurs and SMEs?

**YS:** Turkey's G20 presidency has put solving the issues related to SMEs at the heart of their plans over the course of their term. They have done brilliantly at supporting SMEs and entrepreneurs and ensuring they become part of the global economy.

It is our belief that a good way of inviting more individuals to become entrepreneurs, and for SMEs to develop, is to help provide access to funding, whether through loans or grants. Another way in which governments can encourage more entrepreneurs and produce more SMEs is to take away their biggest concerns, which are access to finance from banks, reduce taxes on smaller companies and help reduce their costs.

**SS:** The SMEs must commit to business excellence and need eight key requirements to keep them fit for the future. These are:

1. Low cost operational efficiency through continuous, unrestricted access to digital tools, at no cost.
2. Global integration to match buyers with sellers, plus tools to increase conversion ratios from seeing goods and services to final acquisition.
3. Improved access and speed to financing via dynamic linking of financial institutions to the global value chain.
4. Ease to comply with financial regulations.
5. Lower landed import and export costs.
6. Reliable and dependable logistics to reach markets.
7. Global access to technology and integration.
8. Abundant sustainable funding.

## A defining aspect of the Turkish presidency is its commitment to highlighting and discussing challenges facing low-income developing countries (LIDCs). What are the issues facing businesses operating in these markets, and how can the G20 help to overcome them?

**YS:** We commend Turkey on their work throughout their presidency to address the issues facing businesses in low-income developing countries. We are all aware how important this is and that economic growth is the most important means of raising people's incomes and reducing poverty in the developing world – it creates jobs and opportunities for poor people to support their families and build more stable futures.

For businesses operating in these markets, they are faced with challenges such as governments not providing the right incentives for firms to invest. Governments need to ensure the laws, regulations and infrastructure within a country support enterprising

activities and ensure the right environment is created for investment.

**SS:** The key to addressing the LIDC challenges is to provide the required digital tools, bringing buyers and sellers together, and thus achieving real economic integration. Indonesia, for example, once lagged behind the world in telecommunications. With cellular technology, Indonesia significantly grew its national economy by better connecting with trade partners.

As another example, the World Bank provided African farmers with digital SMS access to commodity spot prices. This allowed the farmers to obtain better pricing at the time of negotiation based on the current commodity values, thereby realising greater compensation for their hard day of work. To this end, the digital revolution in trade cannot be underestimated.

## Closing the infrastructure investment gap in order to lift growth is a major priority of the Turkish G20 presidency. How can governments better engage the private sector in infrastructure projects?

**YS:** Turkey has set an example to countries around the world on how to invite enterprises to invest in their infrastructure projects. The key for any business is the reduction of risk and for there to be a long-term plan in which they can see a return on investment.

Setting out a clear plan for businesses and demonstrating stability helps create the right environment for businesses to invest. It is important to also ensure there is an established and appropriate policy framework and the correct institutional structures to resolve impediments effectively and provide clear guidelines for the award of such large-scale projects.

**SS:** This invariably leads to the proverbial question: which comes first, the chicken or the egg? Investors and policymakers need to see the trade volumes before they can invest. Meanwhile, businesses contend that the infrastructure must be developed first before the trade volume will grow. Also, with limited funding available to meet the world's \$7 trillion infrastructure needs, where do we start when prioritising infrastructure investments?

Fortunately, there is a solution. The first priority is to adopt soft infrastructure that will maximise the utilisation of the existing physical infrastructure and then provide the necessary transparency and visibility to prioritise future infrastructure investments.

Let us look at another example. The World Bank's Logistics Performance Index ranks Singapore and Germany among the world's top five countries. Why are they so successful given other countries' sizeable investments? Their secret is the use of soft infrastructure with hard infrastructure to increase trade efficiency.

We must still remember an important point. Since trade efficiency must be measured from shelf to shelf, if a high-trade-efficiency country has a partner with low trade efficiency, the overall efficiency of the supply chain will resemble the weakest link in the equation. ■

# Uprooting inequality to unleash growth

— Win-win policies that boost productivity and reduce inequalities are needed for inclusive growth, a key pillar of the Turkish presidency, says Angel Gurría, Secretary General, Organisation for Economic Co-operation and Development



Angel Gurría has been Secretary General of the Organisation for Economic Co-operation and Development since 2006, having been reappointed in 2010. He served as Mexico's Minister of Foreign Affairs from 1994 to 1998 and Minister of Finance and Public Credit from 1998 to 2000. Gurría has participated in various international organisations, including the Population Council and the Center for Global Development. He chaired the International Task Force on Financing Water for All and is a member of the United Nations Secretary General's Advisory Board on Water and Sanitation.

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Almost seven years after the beginning of the global financial crisis, countries are still recovering from the ripple effects. A legacy of declining or stagnating productivity growth, rising inequalities, high unemployment and weak demand has left the global economy struggling to make real progress.

Although governments are aware of these issues and are taking measures to address them, more must be done in order to avoid the path towards persistent stagnation. The recent bout of volatility in financial markets and emerging new risks to a modest recovery reinforce the need for policy reforms.

On the one hand, the weak recovery and current slow pace of growth can be attributed to durably sluggish demand. It is also, more structurally, the consequence of slowing productivity in many advanced economies – a phenomenon that existed before the crisis but was amplified by the latter – and more recently in the emerging countries. As underlined by the report, *The Future of Productivity*, published by the Organisation for Economic Co-operation and Development (OECD) in July 2015, the slowdown in knowledge-based capital accumulation and decline in business start-ups over the recent period raises concerns of a structural slowing in productivity growth.

On the other hand, the OECD's latest publication on inequalities, entitled *In It Together: Why Less Inequality Benefits All*, shows that in many G20 member countries income inequality stands at an all-time high. The richest 10% of the population now receive 9.6 times the income of the poorest 10% in the OECD area, as opposed to seven times in the 1980s. But the picture becomes even more worrisome when one looks at the distribution of

household wealth: the bottom 40% own only 3% of total household wealth, while 18% of the wealth is held by the top 1% in 18 advanced economies with comparable data. The problem, however, is not isolated to advanced economies. In G20 emerging economies, despite often impressive achievements in reducing absolute poverty, income inequality tends to be much higher than in the advanced countries. Even in those emerging economies where inequality has fallen, such as Brazil, it still remains at staggeringly high levels (the income difference between the richest and poorest 10% is still 50 to 1 in Brazil).

Slow growth and all-time high inequality levels are, to a significant extent, the two faces of the same coin. Recent OECD work shows that high inequality raises serious economic concerns, not just for the low earners themselves, but for the wider health and sustainability of our economies as well. Our organisation estimates that the rise in inequality, observed between 1985 and 2005 in 19 OECD countries, knocked around five percentage points off cumulative growth between 1990 and 2010. The fact that income inequality is highly correlated with inequalities of opportunities – for example, access to quality jobs, quality education, training and healthcare – amplifies its adverse impact on growth. In other words, although the social and political costs of high inequality justify in themselves prompt policy action, addressing high and often rising inequalities is also vital to sustain economic growth. Emerging economies too could benefit from lower inequality, which exists despite their often impressive growth rates and reductions in absolute poverty.

## Policies with growth potential

Against this background, the OECD has been working closely with, and for, the Turkish G20 presidency on the very topic of inclusive growth, in line with the inclusiveness pillar of its three 'I's trilogies (investment and implementation being the other two pillars). Win-win policies – those that boost growth, bolster productivity and reduce inequalities – require reforms beyond traditional fiscal and monetary stimulus. We have, therefore, focused our efforts on one type of agenda: ambitious structural reforms that have the ability to 'kill two birds with one stone' – in other words, unlock the growth potential in our economies and ensure that it is shared by all. But what does this mean, in practice, for the G20 going forward?

First, the G20 should assess and improve the distributional impact of its existing pro-growth policies, including the G20 Growth Strategies, encapsulated in the G20 Brisbane Action Plan for Growth and Jobs, aimed at achieving a 2% upside growth scenario by 2018 (the so-called 'two in five'). The G20 Brisbane Growth Strategies include more than 900 individual policy commitments spread over four priority areas, namely investment, employment, trade and competition – the core of which consist of structural policy commitments. While the growth strategies are aimed at boosting gross domestic product and productivity, it is also important to assess them from their potential distributional



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effects. An assessment by the OECD, focusing on the actual Brisbane key measures, shows that a large majority of growth-enhancing commitments have no clear effect on inequality. G20 members should therefore take a fresh, inclusive look at their national growth strategies, to develop policies that help to reduce income inequality and well-being without compromising the upside growth of the two-in-five objective. This would require additional policy commitments – involving both fiscal and structural reform elements – to complement or mitigate existing commitments that are currently affecting inequalities. This process would ultimately enable more equitable and distributive growth opportunities in G20 economies.

But the most efficient policy package will address income inequalities at the point where they originate, rather than trying to mitigate them at a later stage. Some, though not all, policies to reduce income inequalities will not only increase fairness but will also sustain growth. Identifying such policies is particularly important for achieving inclusive growth that creates opportunities for all and distributes the dividends of increased prosperity fairly. In this context, promoting inclusive growth requires a comprehensive strategy that addresses inequality from its multiple dimensions. Our evidence shows that the most efficient policy packages need to tackle inequalities where they originate, addressing four key policy areas.

First, tax-and-transfer systems and fiscal policies need to be more effective for inclusive growth. In recent decades, the effectiveness of redistribution weakened in many countries (in advanced economies in particular) due to working-age benefits not keeping pace with real wages and taxes becoming less progressive. A renewed focus on redistribution is important; this need not adversely affect growth if properly targeted, implemented and activated for employment purposes. Redistribution policies have been strengthened in many emerging economies, but there is still considerable scope to make their tax systems more progressive, to increase their tax revenues by promoting formal employment, to enlarge their tax base, and to enhance often embryonic

All-time high inequality is an economic issue, which continues to exist across economies despite growth and reductions in absolute poverty in some countries

social safety nets and social protection systems. Some countries with low levels of redistribution have already introduced transfers to increase income protection and reduce income inequality, such as Prospera, 65 y Más or Sin Hambre in Mexico. And of course, tax avoidance and evasion have to be tackled – which is a central objective of our work on base erosion and profit sharing (BEPS) and tax transparency. An efficient tax system in which everybody pays their fair share is a *conditio sine qua non* for inclusive growth.

### Inclusion in the labour market

Second, skills need to be built for all age groups. This means investing in the early years of education, with a strong focus on children from low- and middle-income households. But it also means investing in skills throughout the working life. The G20 Skills Strategy, developed by the OECD and endorsed by G20 labour and employment ministers at their meeting in Ankara in September, is, in this respect, a very timely initiative.

Third, inclusion needs to be promoted in the labour market. Last year, the G20 leaders agreed on an ambitious, yet vital, target to reduce the gender gap in labour force participation by 25% by 2025. This year, the G20 labour and employment ministers endorsed a youth target focused on reducing the share of young people who are most at risk of being left permanently behind in the labour market by 15% by 2025. In the context of current uncertain and often still weak growth, setting such a commitment will send the right signal to the many young people who are facing very difficult circumstances. G20 members now need to focus on implementation.

Fourth, the final key policy area is the promotion of job quality. The principle priorities of the new G20 framework, agreed in Ankara by the labour and employment ministers, are vital: promoting job creation and job quality, reducing labour market segmentation and rebalancing employment protection, and ensuring the quality of the work environment.

The OECD features the distinct combination of analytical and statistical capacity, policy expertise, monitoring mechanisms, and a long-standing partnership with the G20 as well as with other stakeholders, including the B20 and the L20. It is for these reasons that the organisation has been at the forefront of the efforts to substantiate the newly adopted G20 youth ‘15 in 25’ target, to develop the G20 Skills Strategy and to support the elaboration of the G20 Job Quality Framework.

The OECD stands ready to continue supporting these efforts, including towards the implementation of agreed G20 objectives, strategies and frameworks, both in the context of the current Turkish G20 presidency and the upcoming presidency of China in 2016. The summit in Antalya this year will certainly deliver important milestones towards more inclusive growth and productivity, but it will not be the end of the journey. With this in mind, let us continue working together with the aim of moving forward towards better policies for better lives. ■



Interview

## An ominous moment

— Larry Summers, Charles W Eliot University Professor and President Emeritus at Harvard University, discusses the state of the global economy

**Q** Is the global economy entering a new phase of secular stagnation?

**A** I am, if anything, more concerned about secular stagnation than I was two years ago. The general tendency has been for growth forecasts both in the industrial world and the developing world to be revised downwards. The levels of real interest rates remain extraordinarily low. There is a global competition for demand that has the tendency to manifest itself in competitive devaluations. The pressures are more towards deflation than towards inflation. Central banks have attempted to tighten monetary policy and have been forced by market conditions to reverse themselves. So, I do think that there are serious issues of chronic excess of saving over investment, leading to very profound difficulties in generating adequate growth without financial instability.

**Q** Are there signals that the governors of the consequential countries — above all the G20 ones — accept your analysis and are beginning to act on it? Given your analysis, can this strengthening secular stagnation be offset by different coordinated macroeconomic and structural policies among the major G20 economies?

**A** There is a kind of implicit but not explicit acceptance of secular stagnation. The implicit acceptance manifests itself in downward revised growth forecasts, in an acceptance of levels of output previously unacceptable and in a willingness of financial authorities to keep interest rates at levels much lower than was anticipated several years ago. But this has not yet led to any kind of emphasis on a comprehensive global growth strategy focused on the challenge

of making sure that there is adequate demand and making sure that there is an avoidance of the beggar-thy-neighbour policies of competitive devaluations. What is needed is a worldwide focus on increasing the level of demand and moving to a balance between investment and savings that can take place at higher interest rates than has been the case recently. How that will best manifest itself in the next several years will vary from country to country. In the United States, there is a major case for fiscal expansion. In Europe there is a need for surplus countries to adjust domestic demand upwards. Japan needs to energise all three arrows of its reform policies, particularly the fiscal and structural arrows. Emerging markets need to establish sounder frameworks in which there is a greater ability to attract private capital. Around the globe there needs to be a focus on the reality of demographic change and taking good care of expanding ageing populations so as to avoid excessive saving in preparation for retirement.

**Q** Is it still a good time, with interest rates so low, for governments to borrow to invest in badly needed infrastructure in the US and elsewhere?

**A** In the United States it is madness that at a time of zero interest rates, extremely high unemployment in the construction sector and decaying airports, bridges, roads and schools, net federal infrastructure investment is essentially zero. Increased infrastructure investment is good in the short run because it puts people to work, good in the medium run because it expands economic capacity, and good in the long run because it reduces the debt burden that we are placing on our children from deferred maintenance. The details differ from country to country, but in many parts of the world there is a strong case for infrastructure investment.

**Q** Can trade liberalisation provide needed growth?

**A** I am a supporter of proper trade liberalisation. I think it has important benefits for consumers and it makes the global economy more efficient. Frankly, I do not think that the impacts of macroeconomic growth over periods of several years are likely to be large enough to be noticeable relative to the uncertainties about growth.

**Q** Are the growth slowdown, Chinese stock market crash and the depreciation of the renminbi serious challenges for the global economy and G20 cooperation?

**A** I think we are in a moment of more than usual risk coming into this year's G20. China has now emerged as an immense part of the world economy, accounting for 30% or more of industrial production. China is facing profound challenges – in terms of the debts it has accumulated, in terms of the demographic changes that lie ahead for it, in terms of the difficulties that it faces as the period of rural-to-urban transition comes to an end, and in terms of the difficulties of shifting from an investment-based economy to a consumption-based economy. So there are large challenges in China. There are large challenges in other emerging markets, notably the Brazilian and Russian economies, which are in situations of near chaotic decline. The industrialised world is grappling with the liquidity trap, the zero lower bound on the interest rate. So, I think we are at an unusually

troubling moment where the case for cooperation that enhances confidence is greater than normal. It is surely not as dangerous a moment as when the G20 came together in London in April 2009 in the wake of the financial crisis, but this is certainly a more-than-normal ominous moment.

**Q** How big is the challenge of the debt crisis from Greece, and how can the G20 help the Europeans deal with it?

**A** At this point, the Greek issue is an intra-European issue. I am sure there will be bumps on the road, and there is no certainty that any deal will hold forever. But it is a more contained and managed situation than it has been for some time.

**Q** Was it a wise move for the US Federal Reserve not to raise US interest rates in September and how long should it wait before doing so?

**A** The Fed acted wisely in not raising interest rates. There was no need on inflation grounds, no need on financial euphoria grounds and no basis for assuming that the economy would be able to withstand a substantial increase in interest rates. Instead of trend increases, I have taken a consistent position that the Fed should raise rates only when it sees the whites of inflation's eyes. I do not know when that will be, and it would not amaze me if it is not for some time.

**Q** Is the Fed now more internationally driven in its interest rate decision-making?

**A** It is hard to know – it is probably a mistake to over-read one announcement and one press conference. All of us in a more interdependent world have to take more account of international developments in making our own economic policy.

**Q** How can the US and China best come together to lead a new phase of global growth and innovation?

**A** There is a range of issues. They can find a basis for greater cooperation to control cyber threats, which are serious issues for both countries. They can establish a mutual commitment to open seas and open navigation, which are central to the success of the trading system. They can cooperate rather than pursue divergent paths in the sphere of international finance. They can continue to lead a global process of trade liberalisation. They can build on their already substantial cooperation with respect to global climate change. ■

Lawrence H Summers is the Charles W Eliot University Professor and President Emeritus at Harvard University, and the Weil Director of the Mossavar-Rahmani Center for Business and Government at Harvard Kennedy School. Over the past two decades, he has served in a series of senior policy positions in Washington DC, including 71st Secretary of the Treasury for President Bill Clinton, Director of the National Economic Council for President Barack Obama, and the World Bank's Vice President of Development Economics and Chief Economist.

@LHSummers

[www.larrysummers.com](http://www.larrysummers.com)

# Chinese reform vital to linked economies

— Structural reform is essential for China's future growth, and for that of those emerging economies whose fortunes are linked to the East Asian giant, says **Naoki Tanaka**, President, Centre for International Public Policy Studies



Naoki Tanaka is President of the Centre for International Public Policy Studies and an economic analyst specialising in a variety of fields, including international and Japanese economics, politics and industry. He was previously President of the 21st Century Public Policy Institute.

[www.cipps.org](http://www.cipps.org)

**A**fter the 2008 global financial crisis, demand in developed countries almost evaporated. In all economic processes, cash became king. In order to escape bankruptcies, every economic entity wanted to hoard as much cash as possible. Stock adjustments took place in materials, processed goods and finished products, investment in plant and equipment stalled, households reduced consumption to prepare for difficult times and systemic risks threatened all the developed countries.

However, emerging economies were insulated by their demand. Supply chain management focused on developed economies, with little involvement of emerging economies. Their final demand came from their daily needs and was thus stationary. In the case of China, government decision-makers substituted export demand by fixed capital formation. They famously poured ¥4 trillion into public works to

stimulate the economy. This dramatically shifted the balance among the main actors. Consequently, the G20 constituted a new global governance framework.

China's economic decision-making did not adjust to the new reality, just as Japan's did not during its 'lost decade' in the 1990s. In the main streets of Japan, there was no reduction in excess supply capacity. In the financial sector, banks followed policies that led to non-performing loans. Financial regulation authorities did not want to address the harsh reality. The same situation is now occurring in China.

Before the injection of ¥4 trillion, state-owned enterprises (SOEs) were in retreat in China, while private enterprise moved forward. However, at that time, public works were not put out to tender. Since 2009, SOEs have played a very important role in the management of the Chinese economy – unfortunately

for China, because of the reversal of a move to a market-oriented economy. Thanks to the stimulus, market-oriented thinking receded.

After the stimulus, fixed capital formation assumed a greater share of China's gross domestic product. Production of basic materials such as iron, steel, copper, cement and petrochemical goods was enhanced, which brought great demand for natural resources and energy. China sought these resources throughout the world. 'China bites Africa' became common in the headlines in the global media. And emerging economies with sufficient natural resources could get orders and investment from China. Chinese economic growth came to depend on expanded supply capacities in heavy-chemical industries. Behind that expansion of physical capabilities, big state-owned banks increased their lending to these sectors. The combination of huge public works, huge capacities in heavy-chemical industries and big loans by banks became the core of the Chinese economy. Impetus on moving to a market economy was neglected, and efficiency in the domestic economy deteriorated.

Brazil, Russia and South Africa are all tied to China, with each gaining from China's economic growth. In this brand new situation, from the perspective of economic development and the G20, if and when China's economy must adjust and the tectonic plates shift, their economies may be hit. As for India, it does not have sufficient natural resources and energy for its own development, which renders it safe. In the context of the G20, India remains independent.

Excess capacity and a deterrent posture were characteristic of Japan's economy in the 1990s and early 2000s. The quality of the economy deteriorated. The overleveraged supply side could not prepare a new direction towards future innovation. Non-performing loans increased, and their disclosure depleted banks' capital. Bank managers acknowledged their financial position implicitly, and the reduced capital meant fewer new loans. That created a capital crunch, uncovered by any remaining excess capacity. Capital injections for banks were required. China's economic situation should be analysed from this viewpoint, especially as deterrence is characteristic of its policies. This stark reality should be discussed in policymaking circles in China, which can learn from Japan's experience two decades ago.

## Creating market demand

The vested interests of SOEs and local government leaders interfere with the reduction of oversupply. For a local government that wanted new social investments, the only method used to be land sales to developers. Supply-side creation thus created demand. Market-oriented methods should have been discussed even at the level of local governments. SOEs should be privatised and restructured. The risks inherent in regime shift should be acknowledged to order to address the new reality. Shadow banking is also a product of this shift.

According to government statistics, factory shipping prices for manufactured goods have dropped for three consecutive years. The profit conditions for



the manufacturing sector may well be hopeless. The supply-side must be restructured. Otherwise, if these conditions continue, no increase in employment can be expected in the near future, and there will be an impact on the price of manufactured goods globally. As downward pressures continue on the prices of Asian manufactured goods, it is imperative that restructuring measures be discussed within the G20.

Government interventions on economic variables such as interest rates, equity prices and wages can be justified in each sector. Regarding interest rates, policies are assigned to loan rates in the corporate sector, which has been severely hit by excess supply. Reduced loan rates would relieve this situation. However, deposit rates will be lowered by monetary easing, requiring another intervention to compensate.

Equity prices have become another intervention. The media have taken an optimistic view of future equity prices, yet in the first half of 2015 – especially since March – those prices have burst. Another policy orientation became clear. Initial public offerings became huge even on a global scale. SOEs could restructure their balance sheets. They could repay their debts by absorbing money from equity markets. If such optimistic views had continued, all would have been well. However, the crude economic reality continued, and future equity prices became the next victim. Towards the end of June, equity bubbles burst.

As to wages, economic authorities wanted them to rise to expand the middle class. But the developing countries surrounding China have followed the Chinese path. Global price competition was already very tight. As a result, China is losing its export competitiveness in labour-intensive goods and for this reason, industrial use of electricity in China has levelled off.

The fall in Asian stock markets in September 2015 extended a global market sell-off, which was partly triggered by nerves about the Chinese economy

July 2015 was a historic month. With the situation in the Chinese equity market, new knowledge has spread worldwide. China has no regulatory agency like the Securities and Exchange Commission (SEC) in the United States, and economists and analysts who are confident in their jobs are very rare.

The country will need several years to recover the reputation of its equity market, and arbitrary interventions come at a high price. It will soon be possible to issue high-yield bonds, but this will mean high costs for new investment in plant and equipment. Private capital formation in China will have to accept these increased costs.

The Asian Infrastructure Investment Bank (AIIB) may become a win-win strategy for China and other Asian countries, which means new export opportunities

## China will need several years to recover the reputation of its equity market

for Chinese heavy-chemical goods. Winning for Asian countries means both infrastructure building and capacity building. Nonetheless, the specifics of the new bank's operations are undecided, creating high demand for new skills and knowledge in this area.

In addition, the Trans-Pacific Partnership (TPP) may play a very important role for participating countries. China may prepare for its accession to the agreement, which would require structural reform. China's access to the TPP may be a win-win situation between itself and the other 12 signatories. This requires further analysis, in which the Centre for International Public Policy Studies aims to take the lead. ■

# Managing sovereign debt restructuring

— The G20 should take the lead in the soft law approach to improving the sovereign debt environment, writes **Domenico Lombardi, Director, Global Economy, Centre for International Governance Innovation**



Domenico Lombardi is Director of the Global Economy programme of the Centre for International Governance Innovation. He also serves as Chair of the Oxford Institute for Economic Policy and sits on the advisory councils of the Peterson Institute for International Economics and the Bretton Woods Committee in Washington and the G20 Research Group. He is a lead member of the Committee on International Economics and Policy Reform, a non-partisan group of world-recognised economists. His career includes positions on the executive boards of major international financial institutions such as the International Monetary Fund and the World Bank.

@domenicolombardi

[www.cigionline.org](http://www.cigionline.org)

**R**ecent examples of severe sovereign debt crises, such as those of Argentina and Greece, show that the failure to act early amplifies the social and economic consequences of the debt crisis and, when restructuring of the debt does arise, it often causes equity problems among different creditor groups.

Against this backdrop, consistent with its self-advocated role as the premier forum for international economic cooperation, the G20 should take a more proactive role in the regulatory architecture that underpins the management of severe sovereign debt crises by promoting a soft law approach to debt restructuring.

Various arguments both for and against reforming the approach to sovereign debt restructuring have been put forward. The main argument against reform is that the current arrangements work relatively well and that reforming the system would encourage debtor moral hazard: specifically, if a debtor country had access to a formal restructuring procedure, it might be inclined to choose bankruptcy over making its best efforts to exit a liquidity crisis by its own means. These dynamics would in turn raise sovereign borrowing costs and leave all parties worse off.

The proponents for reform reject this view and claim that creditor moral hazard, deadweight losses and distributional inequity are current problems that justify reform. For instance, creditors lend money

to sovereigns expecting that the International Monetary Fund (IMF) will invariably bail out troubled debtors. This safety net encourages creditors to engage in excessive and risky lending, which in turn worsens the borrower's debt structure and ultimately may lead the country into insolvency.



Deadweight losses are efficiency losses that arise from information and coordination problems among creditors and the debtor that reduce general economic welfare. As is evident in the Argentinian and Greek debt restructuring, one of the main ways in which coordination and information problems cause efficiency losses is by delaying the restructuring process. A delayed restructuring process postpones the country's return to economic health, and can lead to a prolonged period of economic stagnation.

## Restoring the balance

Distributional issues arise in all sovereign debt restructuring, as there is no holistic restructuring framework that adequately addresses all debt obligations equally in one formal procedure. The main sources of tension for inter-creditor equity lie in balancing the interests of short-term and long-term holders of sovereign debt on the one hand, and foreign and domestic creditors on the other. Depending on the specific circumstances, restructuring affects only holders of a particular bond issuance, rather than all bondholders, which can cause inequity between creditors of different bond issuances. In addition, for political reasons foreign creditors may achieve a better restructuring than domestic creditors, or vice versa.

Attempts to create a binding, statutory framework for sovereign debt restructuring have a long history. In 2001, the IMF initiated a discussion among stakeholders in major financial centres, when it proposed the creation of a sovereign debt restructuring mechanism (SDRM).



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The core feature of the proposal was to give the IMF power to approve payment standstills for distressed debtor countries. As such, the SDRM would address the problem of creditor moral hazard, and facilitate a speedier and more orderly resolution of sovereign debt crises. Although a number of countries within the G7 initially supported the SDRM, voices opposing the proposal took on greater significance. The opposition mainly argued that the IMF, being a creditor of most distressed debtors, would not be the right institution to exercise decision-making power over a debt standstill, and that countries would abdicate sovereignty if an

Arguments have been put forward both for and against reforming the approach to sovereign debt restructuring, with those against reform concerned that reform would encourage debtor moral hazard

## Attempts to create a binding, statutory framework for sovereign debt restructuring have a long history

outside institution could decide with binding effect when a debt standstill has to occur. Eventually, the SDRM proposal was abandoned.

In 2014, the United Nations General Assembly passed a resolution to create a “multilateral legal framework for sovereign debt restructuring”. Although the resolution was opposed by all countries hosting major financial centres, the vote received broad support from the G77 caucus of developing countries. As it stands, it is unclear whether the resolution will lead

to the formulation of a new, comprehensive proposal for a sovereign debt restructuring framework.

Yet, the most effective changes affecting sovereign debt workouts have been on the contractual level. In 2014, the International Capital Market Association (ICMA) – a private industry standard-setting body whose members include banks, asset managers, and securities issuers and brokers/dealers – proposed standardised sovereign bond contract clauses to facilitate debt restructuring.

Other proposals to improve the conditions of sovereign debt restructuring have been to formulate soft law rules. A soft law instrument establishes rules that are acceptable to market players, which, however, do not develop any binding legal force. In other words, soft law may serve as a guideline for market actors who choose to voluntarily adhere to these rules. The Institute of International Finance (IIF) – an interest group whose members include banks and other private financial institutions – published the Principles for Stable Capital Flows and Fair Debt Restructuring. The principles aim to promote better debtor behaviour for preventing as well as resolving crises through adherence to four broad principles: data and policy transparency, open dialogue and cooperation, good-faith negotiations, and fair treatment of all creditors. In 2012, the United Nations Conference on Trade and Development (UNCTAD) developed and published its Principles on Responsible Sovereign Lending and Borrowing. The UNCTAD principles differ from the IIF principles in that they include a more balanced emphasis on the responsibilities of both debtors and creditors and are, moreover, open to stakeholder input and revision.

### Developing soft law principles

The G20, through joining the efforts of major creditor countries and major financial centres, should play an important role in sovereign debt restructuring. Given that statutory proposals for a formal sovereign debt workout process historically have failed, and that contractual reforms have a limited scope as they only apply to new bond contracts, the G20 should commit to improving the sovereign debt environment by taking the lead on the soft law approach.

Specifically, the G20 should mandate the Financial Stability Board (FSB) to promote a broad consultative effort within its membership and facilitate agreement on a set of soft law principles. Such principles, upon receiving broad acceptance, should be included into its Compendium of Standards as a way to promote the principles themselves and improve sovereign debt restructuring by voluntary adherence to soft law. As a subsequent step, the G20 could mandate the FSB to monitor how its members implement the principles into their negotiations with distressed borrowing sovereigns. The insights from these reviews would help further develop the principles and promote acceptance for them among a larger group of market players.

Entrusting the FSB with the regulatory umbrella of sovereign debt restructuring would help the management of world crises as a whole, as well as improve prevention. ■

# A turning point in international taxation

— Pascal Saint-Amans, Director, Centre for Tax Policy and Administration, Organisation for Economic Co-operation and Development outlines a new partnership for global tax reforms



Pascal Saint-Amans has been Director of the Center for Tax Policy and Administration (CTPA) at the Organisation for Economic Co-operation and Development (OECD) since 2012. He joined the OECD in September 2007 as Head of the International Co-operation and Tax Competition Division in the CTPA. In 2009, he was appointed Head of the Global Forum Division, created to service the Global Forum on Transparency and Exchange of Information for Tax Purposes. Before joining the OECD, he was an official in the French Ministry for Finance for nearly a decade.

@PSaintAmans

[oecd.org/tax](http://oecd.org/tax)

In the aftermath of the 2008 financial crisis, governments were forced to reduce public spending, increase taxes and implement austerity measures, while several companies received taxpayer-funded bail-outs. At the same time, tax suddenly became a controversial political topic with headlines emphasising the low global tax rates paid by some multinational enterprises (MNEs). Also, countries confronted the growing perception that the tax burden is not equally shared among taxpayers and that the international tax rules on corporate profits are broken. This perception became a serious political and social issue, casting doubts upon the fairness and integrity of countries' tax systems.

This political debate on taxation went global and multilateral first in 2009, when the G20 declared that bank secrecy was over and committed to take action against non-cooperative jurisdictions, including tax havens. Countries around the world agreed to meet the international standard for exchange of tax information on request, developed by the Organisation for Economic Co-operation and Development (OECD), and joined the restructured Global Forum on Transparency and Exchange of Information for Tax Purposes. The latter is today composed of 127 members

participating on an equal footing, and has enabled a rapid implementation of the standard through a comprehensive peer review process.

With G20 support, global tax transparency was further enhanced in 2014 with the development of the global Common Reporting Standard for Automatic

Exchange of Information Standard (AEOI), which 94 jurisdictions have committed to implement. The first exchanges will begin by 2017 and 2018. Such exchanges minimise the compliance burdens for both governments and financial institutions, and, overall, result in increased voluntary compliance initiatives and other similar programmes to encourage taxpayers to regularise income and wealth previously hidden from their tax authorities. To duly implement AEOI, the OECD is now working with G20 members and the Global Forum to support jurisdictions for globally consistent implementation. The Global Forum will review implementation of this standard, and is developing the necessary terms of reference.

Another fundamental change has taken place over the past two years in the area of corporate taxes. For decades, the OECD has been promoting the elimination of double taxation on cross-border trade and investment. Eliminating double taxation facilitates cross-border trade and investment, which spur growth and create jobs. However, current international tax rules (such as tax treaty provisions and transfer pricing guidelines) have not kept pace with the way business operates in the 21st century. As a result, the rules aimed at eliminating double taxation have also enabled tax-planning arrangements that secure double non-taxation, as in situations where income is not taxed in either the taxpayer's country of residence or the source country. Following a request in 2012 by G20 leaders in Los Cabos, the OECD-G20 project to address Base Erosion and Profit Shifting (BEPS) was launched to close unintended loopholes in the international tax system that allow corporate profits to be shifted away from the location of economic activity and value creation.

The consequences of BEPS currently achieved by some multinationals range from unintended competitive advantages for MNEs over smaller or domestic companies, to distortion of investment decisions, to the loss of substantial corporate tax revenue for governments. More fundamentally, the perceived unfairness jeopardises citizens' trust in the integrity of the tax system as a whole, thereby undermining voluntary tax compliance.

## Coordinating policies

On 5 October 2015, the OECD delivered a comprehensive package of measures to counter BEPS that has been endorsed by the G20 finance ministers at their meeting on 8 October 2015 in Lima and transmitted to the G20 leaders for their summit at Antalya on 15-16 November 2015. This package covers three unifying themes: to ensure that the substance of international tax rules aligns taxation with the location of economic activity and value creation, establish coherence between domestic tax systems and across the international rules, and promote transparency including regarding increasing certainty and predictability. The measures are practically focused, offering policy detail as well as tools for implementation, including model provisions for tax treaties and domestic legislation, templates and practical guidance. Four minimum standards target some of



the headline BEPS issues – preventing tax treaty abuse through treaty shopping, tackling harmful tax practices with common principles and more transparency, providing a single global picture of MNE operations to tax administrations with country-by-country reporting, and resolving cross-border tax disputes more effectively to increase certainty for business and governments. Existing rules on issues such as transfer pricing and the ‘permanent establishment’ concept have also been updated to meet the tax challenges of modern business arrangements. The impact of the digital economy on tax systems has also been assessed, and, coupled with other BEPS measures, the new International VAT/GST Guidelines will address the hurdles it poses.

This package clearly marks a turning point in the history of international taxation, the most prominent step towards modernising and coordinating countries’ tax policies in a hundred years. Without these tools, the effectiveness of countries’ domestic tax policies would remain inhibited: in a globalised world, tax cooperation is the only way to protect tax sovereignty.

The BEPS project demonstrates how governments can work together under the political leadership of the G20 to promote a stable and effective international tax environment. The OECD and G20 partnership – 44 countries equal to about 90% of the world’s economy working together on an equal footing – is the foundation of the project’s success. It has grown to include 62 countries participating in the decision-making body and technical working groups, and more than 120 jurisdictions providing input through dedicated regional networks and the close engagement of regional tax organisations such as the African Tax Administration Forum and the Inter American Center of Tax Administrations. Furthermore, one key practical outcome – the development of a multilateral instrument to expedite and streamline the implementation of the treaty-related BEPS measures – is open to negotiation by all countries, and 89 countries are already participating.

As the G20-OECD efforts to address BEPS and AEOI move to implementation, it will be essential for

developing countries to have the tools and skills to address the practical challenges that implementation (including tax administration) will present. Support on implementation is also critical to ensure efficiency, coherence as well as a level playing field between relevant jurisdictions. In conjunction with the BEPS project, a dedicated work stream developed under the G20 Development Working Group will deliver practical guidance on BEPS-related priorities for developing countries over the coming years, as well as guidance on implementing BEPS outcomes that takes into account their capacity constraints. OECD and G20 members have agreed to continue to work together, on an equal footing, in the BEPS project, and to establish an even more inclusive framework for interested jurisdictions to support and monitor implementation. In parallel, to ensure that developing countries can fully participate in and benefit from an enhanced transparent tax environment, an ambitious technical assistance plan on AEOI is also in place with one-on-one assistance, pilot projects and training seminars around the world.

The perception that the tax burden is not shared equally has become a big political issue. The G20-OECD cooperation has sought to close international corporate tax loopholes

## In a globalised world, tax cooperation is the only way to protect tax sovereignty

To conclude, the work on global tax transparency and BEPS demonstrates the ability of the G20-OECD partnership to address global tax challenges by delivering high-profile and universally applicable tax policy solutions. Hopefully, the G20 leaders will endorse the BEPS package in November 2015, and the OECD stands ready to move the G20 tax agenda forward, both in the context of the current Turkish G20 presidency and the upcoming Chinese G20 presidency. It is now critical to develop an inclusive architecture that can draw in on an equal footing for all interested countries to keep the G20 tax work relevant for the global economy of the 21st century. ■

# The G20 trade agenda under Turkey's presidency

— Further integrating low-income developing countries and SMEs into global value chains will help meet the G20's target of boosting global growth by an additional 2.1% by 2018, writes **Nihat Zeybekci, Minister for the Economy, Republic of Turkey**



Nihat Zeybekci was appointed Minister of Economy of the Republic of Turkey on 26 December 2013. From 2005 to 2013, he served as Chair of the Committee of Industry, Trade, Energy, Natural Resources, Information and Technology; the Union of Turkish World Municipalities; and the Turkish Committee of European Council Congress of Local Authorities, as well as Deputy Chairman of the Turkish Association of Municipalities and Mayor of Denizli.

[www.ekonomi.gov.tr](http://www.ekonomi.gov.tr)

Following its establishment with the onset of the global financial crisis in 2008, the G20 emerged as a prominent forum in the global economy for coordinating global economic policies. Although some questioned its effectiveness at first, on the grounds that it has no enforcement mechanism, the G20's designation as the premier forum for global economic governance, at the 2009 Pittsburgh Summit, strengthened its role in global policymaking.

Indeed, representing almost 85% of global gross domestic product, more than 75% of global trade and two-thirds of the global population, G20 countries are major global actors. With undeniable weight in the global economy, the G20 provides an important platform to act together and adopt integrated, coordinated, effective policies to meet global challenges. Although such platforms for policy coordination might be more urgently needed during crises, the G20 remains relevant for discussing solutions for longer lasting systemic issues.

Turkey's agenda has focused on inclusive and robust growth through collective action. The focus on inclusiveness, as one of the three 'I's of Turkey's G20 presidency, is particularly important. Turkey has extended the scope of G20 discussions to the rest of the world, especially by bringing the challenges facing low-income developing countries (LIDCs) to the attention of G20 countries.

Turkey's aim is to ensure collective growth through sharing prosperity with those in vulnerable economic conditions. Trade is the easiest and most practical way

of doing this. Turkey thus attaches great importance to trade, as a means of boosting global growth and sustainable development.

The four main issues on the G20's trade agenda this year are the cyclical and structural reasons behind the global trade slowdown, policies for enhancing the participation of small and medium-sized enterprises (SMEs) and LIDCs into global value chains (GVCs), ways to strengthen the multilateral trading system, and the compatibility of regional trade agreements with the multilateral trading system.

Turkey grew by 3.8% in the second quarter of 2015, more than 24 members of the European Union. Nevertheless, its foreign trade has still been affected by the global slowdown.

Although, the Turkish economy continued to grow on average by 5.1% for 23 quarters and expects growth of 4% for 2015, exceeding World Trade Organization (WTO) forecasts for global growth at 2.8%. Turkey forecasts exports of \$144.6 billion by the end of 2015, with a decrease of 8.3%.

As G20 president, Turkey attaches special importance to analysing the causes behind the global trade slowdown, in order to develop policies to overcome them.

Both cyclical and structural factors play a role. Cyclical factors such as weak demand in advanced economies offer some explanation, as do structural factors such as changes in the relationship between world trade and income. Only through deep and wide trade reforms can this trend be reversed and trade growth be revived.

## Multilateral trade liberalisation

Accordingly, ensuring the implementation of the past commitments, including those on fighting protectionism, is key to reversing the slowdown in global trade. Indeed, the G20 has been exceptionally successful in, and therefore praised for, preventing the rise of protectionist measures after the 2008 crisis. The G20 still plays an important role in preventing protectionism, since, although the number of newly introduced protectionist measures by G20 countries has decreased recently, the cumulative number continues to increase since 2008.

One major factor affecting the slowdown since the financial crisis is maturing GVCs in the advanced parts of the world. Encouraging policies for fostering greater integration of LIDCs and SMEs into GVCs is important so LIDCs can play a more effective role, while also contributing to global trade.

Indeed, GVCs provide opportunities for SMEs and firms in low-income countries through enabling them to participate in global production chains without producing complete products. Through the internet and e-platforms, SMEs can integrate themselves digitally into the supply chain. Through integrating into the GVCs of multinational corporations, SMEs can become part of new production processes, transfer technology and skills, and enrich their access to markets and financial resources. Nevertheless, even slightest burdens imposed

by outside factors affect their GVC participation disproportionately. Thus, effective policies are needed to boost the participation of LIDCs and SMEs in the GVCs, not only at the firm level, but also at national and global levels.

G20 discussions throughout the year clearly demonstrated that multilateral trade liberalisation can revive global trade growth. It requires strengthening the multilateral trading system and re-energising the Doha Development Agenda. A successful WTO ministerial conference in Nairobi in December 2015 will be key.

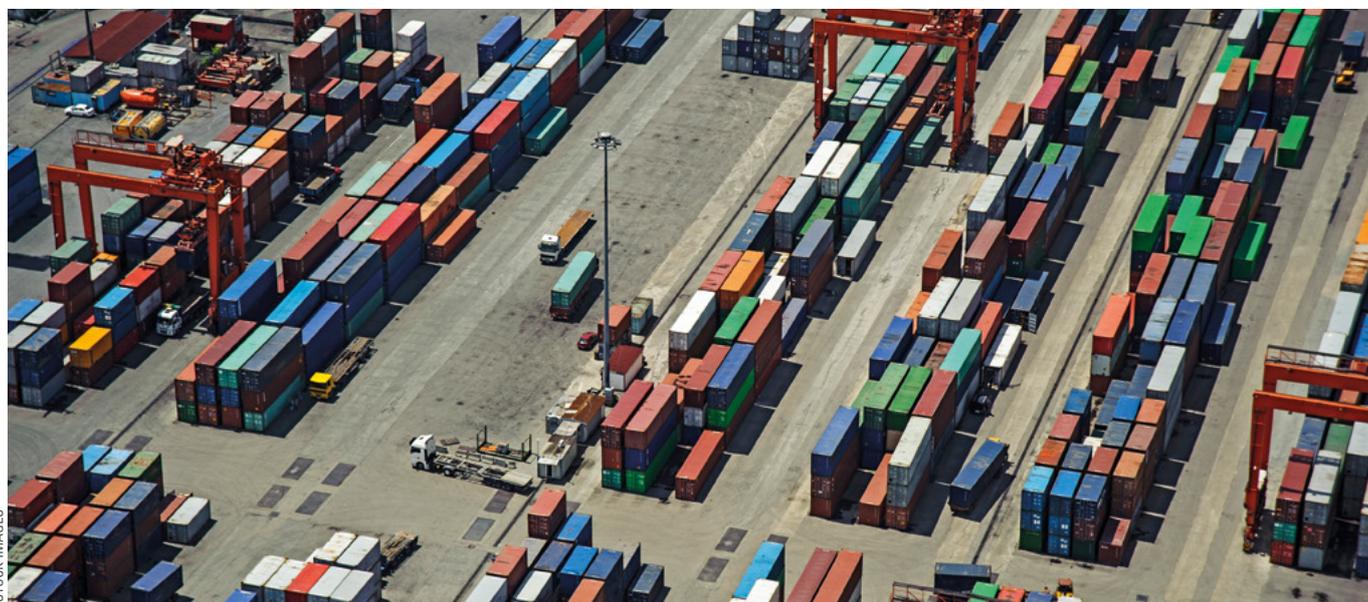
Clear attention to the role of regional trade agreements is also required to ensure they complement the multilateral trading system – as intended – rather than disrupt it. The global trading system must work efficiently and coherently across all elements, including bilateral, regional, plurilateral and multilateral agreements. Therefore, increasing the regional and

discussions alive on the G20 agenda. As policymakers, we have learnt necessary lessons from the discussions on what to do and what to refrain from.

### Global trade complementarity

On the day before the meeting, the Transpacific Partnership was finalised. It was praised by the G20 countries, together with the call for regional trade agreements to complement the multilateral trading system and include a continuously working mechanism to include parties that remain outside. The way to increase global trade includes establishing cooperative relations among regional institutions and creating institutional structures throughout the world that have common commercial, economic and legal features.

With regard to improving the multilateral trading system, our deliberations clearly showed that all G20 countries are committed to the WTO and the



multilateral complementarity remains a key issue, in terms of strengthening the multilateral trading system.

These issues were all discussed at the meeting of G20 trade ministers on 6 October 2015 in Istanbul. Our discussions on deep and broad policies to overcome the cyclical and structural factors underlying the global trade slowdown led to the reaffirmation of fully implementing the trade-related actions determined in comprehensive growth strategies of the G20 countries. The ultimate aim is to boost global growth by an additional 2.1% by 2018. The ratification and implementation of the WTO Trade Facilitation Agreement is one such commitment on which considerable progress has been achieved. As of the G20 trade ministerial meeting, 48 WTO members (almost one-third of its membership) had completed the internal procedures for ratification. Implementing measures could reduce trade costs by between 12% and 17.5%.

Regarding GVCs, we noted the importance of continuing vigilance on prioritising solutions to the problems faced by SMEs and LIDCs while keeping

G20 countries have expressed their commitment to the World Trade Organization and to reinvigorating the multilateral trading system

multilateral trading system. We also discussed our expectations for the Nairobi ministerial meeting and our shared keen interest as well as willingness to deliver concrete outcomes despite possible differences. Most importantly, our discussions have increased the chances of success in Nairobi, which will help strengthen the multilateral trading system. The success of Nairobi, together with a successful United Nations climate change conference in Paris in December 2015, and the recent adoption of the Sustainable Development Goals, will definitely contribute to development.

China, which will hold the G20 presidency in 2016, declared it will organise a trade ministers' meeting in Shanghai in 2016 – an announcement that was welcomed by all.

Trade remains an important tool for the global economy and for sustainable development. And so it remains for the G20 agenda and efforts on economic policy coordination. Turkey will continue to play its part in the most constructive way as one of the leading emerging economies of the world. ■

# Paperclips and staples - the unlikely barriers to growth

There are few modern inventions that have been as fundamental to the rapid development of globalisation over the past three decades as the shipping container. The uniformity it conferred to shipping operations worldwide, and the way with which that humble container has become so ubiquitous in such a short space of time has led to an explosion of trade with the obvious effect of creating growth and lifting new sections of global society out of poverty.

Much of that is well documented. What is less well known is how containerised trade has been impeded by the cumbersome documentation that accompanies the movement of goods – the almost innumerable customs declarations, copies of commercial invoices, packing instructions, bills of lading, certificates of origin and so on – but which has not seen the same revolution that cargo handling techniques have undergone.

## Cost optimisation

What this means in today's era of vastly larger trade volumes is that the cost of relaying information has increased dramatically compared to the cost of transport, which has fallen equally dramatically due to optimisations such as economies of scale. If the documentation process was also modernised, huge amounts of further cost could be taken out of the system. The way to do this is to take advantage of all the opportunities presented by IT developments, argues the world's largest container shipping carrier, Maersk Line.

Maersk Vice President Jesper Engelbrecht Thomsen says: "The cost of physically moving a container is comparable to the cost of handling the information related to its transport. In essence every

manual process or physical paper slows down the process and at the end of the day the cost has to be borne by the end-consumer."

Together with TradeMark East Africa, a not-for-profit organisation focused on enhancing prosperity in the region through trade, Maersk Line has analysed the supply chain of cut flowers grown in



Kenya and transported to Europe's major flower auction in Holland. They found that 24 separate organisations and companies were involved in the transport of just one container from its origin in the Kenyan highlands to the distribution centre in the Netherlands. The total lead time is approximately 34 days, of which the roses are on the move two thirds of the time and the rest is spent standing still waiting due to administrative processes; some of which is planned slack to allow for uncertainty of the next mode of transport and in the administration procedures.

Maersk's contention, and one that is supported by exporters and importers interviewed in Kenya and Europe, is that these delays, which are inherent to the supply chain, add to cost in a multitude

of ways: it takes longer for the growers to receive payment, which means more working capital is tied up in goods-in-transit; and the volatility of the process excludes some perishable commodities from being traded and add storage costs to others. All that cash could be reinvested elsewhere. Finally, longer transit times and complex processes inevitably lead to more cargo damage and further loss of earnings.

## Moves towards a paperless system

And this is not limited to one route between Kenya and Europe; it is a situation that is endemic to the realities of trade across the world, between developed nations as much as those that are less developed.

What supply chain actors would like to see is a paperless system that allows



exporters and their nominated logistics providers to file much information through an electronic 'pipeline' that would be accessible for all registered parties in the supply chain to see – a sort of secure, cloud-based dropbox that would show not just the regulatory documentation for customs and other legal authorities, but also provide in-transit information for supply chain partners.

### Making supply chains efficient

"The idea behind the pipeline concept is, in short, to increase the reuse of data along the supply chain, mainly with a focus on commercial benefits. As a technology, an information pipeline is not very difficult to establish. The key challenge is to coordinate and align all actors along the value chain to exchange information in a digital format," says Thomsen. He argues that it is not only about speeding up the filing of documentation, but inspection authorities would also benefit from the readily available information.

"This pipeline holds much more data about shipments than can ever be asked in any customs or security declaration, and the quality is much higher as it is data captured at the source."

"The benefit for government inspections services, like customs, is to have better data available for risk management and targeting. Very often the result of the

visibility will be de-risking of shipments, so customs can focus on the shipments with less visibility," he says.

While the benefits seem obvious to those involved in global trade, implementing a pipeline would require genuine international collaboration.

"We are missing an entity to drive this forward, whether commercial or a trade-facilitation unit like WTO," says Thomsen, adding that a considerable shift in attitudes is necessary. "Supply chain actors will need to understand that the way to ensure the supply chains you participate in are efficient is by easily sharing data among all actors in the supply chain, not by keeping information for yourself to only sub-optimize your single task in the supply chain."

The architecture of the system reflects that. "The pipeline is designed to be implemented stepwise, adding value as soon as two parties exchange information via it. The more parties the more value, and from that perspective we would also expect an exponential uptake as we have seen within the mobile industry, as each new participant will get access to even more than the one before."

In fact, the more acceptance and the more players participating in it, the easier it will become to convince others to join and realise the benefits of sharing information.

"The true benefit comes from the end-to-end availability of data. It can

be driven by both governments and the industry – whoever takes the lead in the short term is probably because of what is the primary driver in the short term. This could be improved security or elimination of 'process waste'. Both will be achieved over time, but it is more a question of what is the near-term priority," says Thomsen.

"There is no big bang, changes will come gradually, and we hope the clear benefits to all involved will be a powerful motivation for everyone to make it happen."



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# Rooting out corruption

— Working with international organisations, the G20 countries have committed to combating corruption, which can have far-reaching negative effects in national economies, explains **Kunio Mikuriya, Secretary General, World Customs Organization**



Kunio Mikuriya has been Secretary General of the World Customs Organization since 2009. Previously, he worked for Japan's Ministry of Finance for 25 years. There, he served as Director of Enforcement, as well as Director of Research and International Affairs, paving the way for the conclusion of the first regional trade agreement for Japan. In addition, he spent time as a counsellor at Japan's mission to the World Trade Organization, and took part in the Uruguay Round trade negotiations of the General Agreement on Tariffs and Trade.

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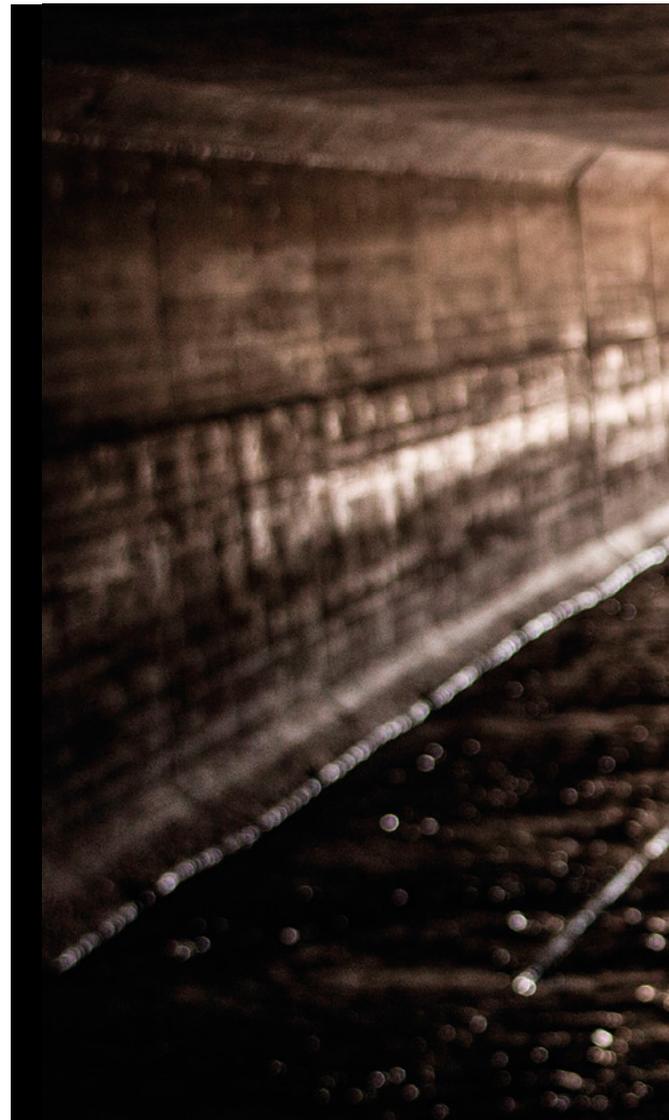
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**A**t the Toronto Summit in 2010, G20 leaders established the Anti-Corruption Working Group (ACWG) in recognition of the negative impact that corruption has on economic growth, international trade and development. The ACWG has diligently worked to partner with international organisations to ensure a coordinated approach to combat corruption. As part of its practical actions for 2015-16, G20 members have identified a number of high priorities in the fight against corruption, including a focus on high-risk sectors such as border management agencies. The World Customs Organization (WCO) is pleased to be working with the G20 on this important topic.

The WCO has long been a leader in promoting integrity in customs. Customs integrity is a vital international objective because customs administrations are significant actors in international trade and globalisation, particularly as a result of articles V, VIII and X of the 1994 World Trade Organization agreement, as well as its 2013 Trade Facilitation Agreement.

In February 2015, the WCO held its 14th Integrity Sub-Committee session, during which Mexico Customs presented the G20 anti-corruption initiative. The

sub-committee noted the information and update provided by Mexico on the G20's Anti-Corruption Implementation Plan for 2015-16. Appreciation was expressed to Mexico for leading this initiative, as the G20 recognises that governments cannot fight corruption on their own. Governments need to work closely with G20 engagement groups and international organisations such as the WCO in order to implement commitments. The sub-committee also endorsed the

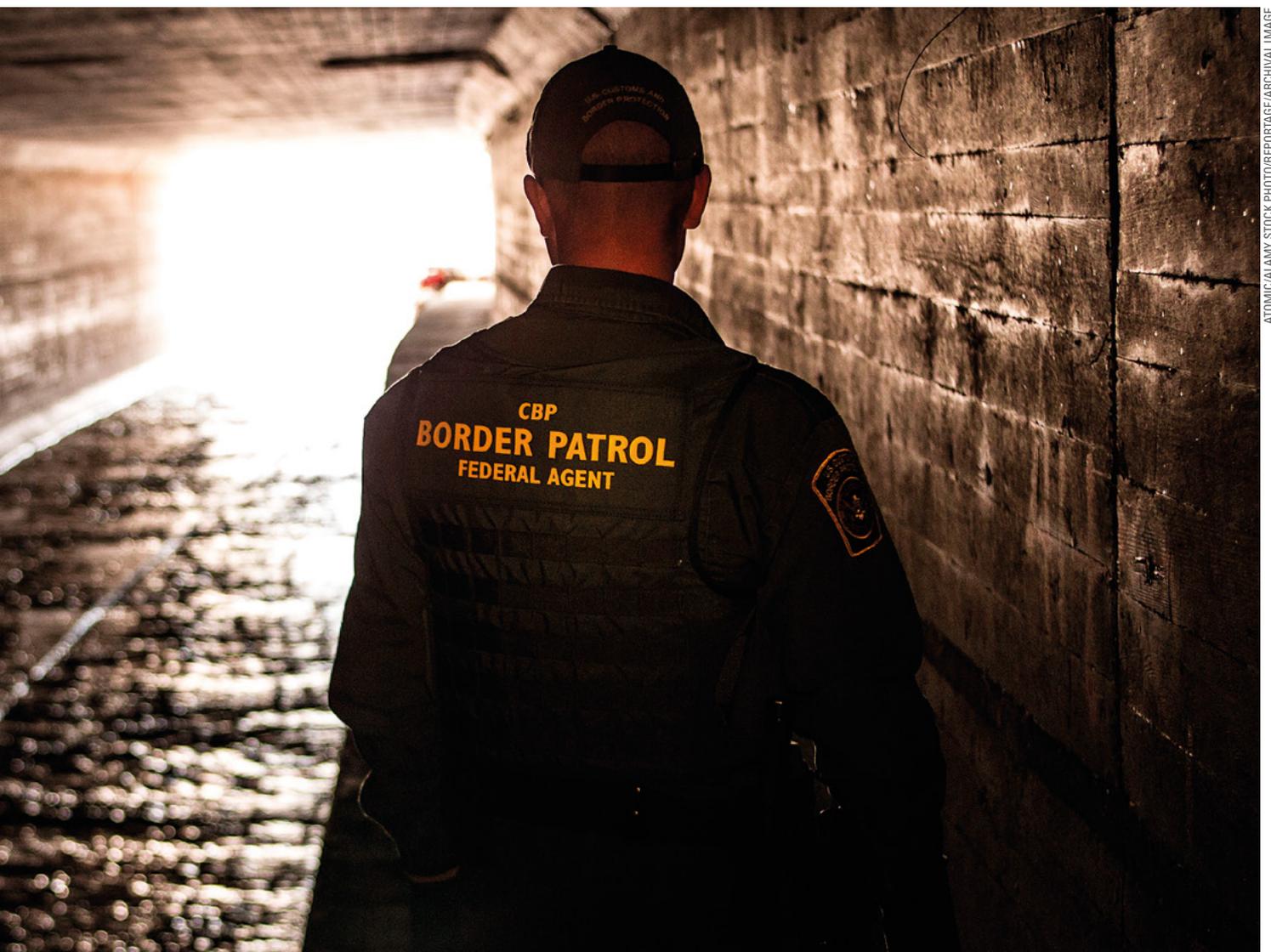


proposal to develop a publication on WCO strategies, instruments, tools and activities for tackling corruption.

## Tools to combat corruption

The WCO has developed a number of instruments and tools to promote customs integrity and combat corruption. The Revised Arusha Declaration, the WCO's set of core principles related to integrity, states that the adverse effects of corruption can include reduced national security and community protection and foreign investment. Those effects also include revenue leakage and fraud, and increased costs that are ultimately borne by the community. Corruption results in barriers to international trade and economic growth. It erodes public trust and confidence in government institutions, as well as the level of trust and cooperation between customs administrations and other government agencies. It reduces the level of voluntary compliance with customs laws and regulations. Moreover, it lowers staff morale and esprit de corps.

The Revised Arusha Declaration states that an effective national customs integrity programme must outline the principles for addressing corruption, namely



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leadership and commitment, transparency, automation, reform and modernisation, audit and investigation, code of conduct, human resource management, morale and organisational culture, and relationships with the private sector.

The WCO conducts capacity-building missions to assist customs administrations with reform and modernisation. It organises workshops on promoting

G20 members have identified border management as a high-priority area in the fight against corruption

performance and quantification. Such events allow for open discussions among experts and senior managers on those managers who have, or have not, applied measures to combat corruption, and to discuss the kinds of constraints and requirements they must face in doing so. In addition, discussing the concepts linked to the anti-corruption tools provides an opportunity for experts to reflect with senior managers on the key elements of their engagement in the fight against corruption.

## The Revised Arusha Declaration states that the adverse effects of corruption can include reduced national security

integrity for senior managers in order to generate and sustain political will. Such workshops provide for an exchange of views with WCO experts on questions directly related to corruption, such as the relationship with users and the impact of national policy objectives on operational practice, governance, staff accountability,

### Taking stock of integrity strategies

With respect to the G20 initiative, several deliverables are in progress. The WCO is preparing a strategic paper to submit to the G20 ACWG for the G20 summit in Antalya in November 2015. The paper identifies successful strategies for promoting integrity within customs administrations. In addition, a self-assessment survey of G20 members is being conducted to help take stock of strategies for promoting integrity and addressing corruption in customs.

To conclude, the WCO will continue to contribute to the G20's ongoing efforts to fight against corruption and promote integrity. ■





# Tourism in the new sustainable development agenda

— Tourism has become a leading economic sector and a vital engine for sustainable development, a status reflected in its inclusion in the post-2015 development agenda, writes **Taleb Rifai, Secretary General, World Tourism Organization**



Taleb Rifai was elected Secretary General of the United Nations World Tourism Organization (UNWTO) in 2010 and re-elected for a second four-year term in 2014. He has served as Assistant Director General of the International Labour Organization and held several ministerial positions in the Government of Jordan, including Minister of Planning and International Cooperation, Minister of Information, and Minister of Tourism and Antiquity. Previously, he was Director General of the Investment Promotion Corporation of Jordan.

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**T**ourism merges the very best of contemporary globalisation – international trade, mobility, people and development. Over recent decades, the tourism sector has grown dramatically to become one of the leading economic sectors, expanding from 25 million international arrivals in 1950 to 700 million in 2000 and more than one billion for the first time in 2012.

Since reaching the one billion tourist milestone, the tourism sector has continued along its upward trajectory to reach a record 1,133 million international tourists in 2014, representing a 4.3% increase and capping five consecutive years of above-average growth since the global financial crisis. Long-term forecasts by the World Tourism Organization (UNWTO) expect the sector to reach 1.8 billion tourists by 2030.

With more than one billion tourists now travelling the world each year, the tourism sector is an economic powerhouse, accounting for nearly 10% of the world's gross domestic product and 6% of global exports, and employing directly or indirectly one in 11 people across the globe.

Yet, one must look beyond these record-breaking figures to grasp tourism's deeper significance in the world today. Looking beyond the economic perspective, tourism is instrumental in establishing peace and

multicultural understanding. As tourism moves millions of people each day to visit new destinations and immerse themselves in other cultures, it sparks connections that help foster tolerance and respect among peoples, communities and nations, earning the handle of the 'Global Peace Industry'.

As recognised by the G20 leaders' gathering in Mexico in 2012, tourism is one of the fastest growing and most resilient sectors, carrying the immense potential to contribute to sustainability along its economic, social and environmental pillars. Tourism thus has significant potential to contribute to the proposed universal Sustainable Development Goals (SDGs), which were approved by world leaders at the United Nations summit in September.

Tourism's development potential could not be more significant in the developing world, where the sector stands as one of the main wealth creators for many developing and least-developed countries (LDCs). Indeed, tourism can directly benefit impoverished groups through employing local people, creating community-based enterprises and increasing investment. Tourism's cross-cutting nature and multiple links to other economic sectors position it as an effective multiplier in global development strategies, as it often provides one of the few competitive options for developing countries to take part in the global economy.

## Overcoming critical hurdles

Tourism is particularly crucial for LDCs. More than half the world's LDCs have identified the sector as a priority instrument for poverty reduction. In 2013, 49 LDCs received 24 million international arrivals and earned \$18 billion in exports from international tourism. This represented 8% of total exports of goods and services of LDCs, and 12% among the group's non-oil exporters. Tourism was, in fact, one of the main contributors behind the graduation of the Maldives and Cape Verde from their previous LDC status.

However, in spite of tourism's rapid expansion and acknowledged potential for socio-economic development and employment creation, the sector still lacks greater recognition among the world's top decision-makers. In order to harness tourism's full potential in stimulating growth and development, it must occupy a higher place on national and international agendas.

One of tourism's critical hurdles is its under-representation in international financing for development. Despite being a high-impact economic activity, a key export sector and a leading job creator, tourism receives only 0.78% of total aid-for-trade disbursements and a mere 0.097% of the total official development assistance – underlining a clear disparity between the sector's capacity to foster development and the low priority it has been given thus far in terms of financial support on the development cooperation agenda.

Tourism's tremendous potential to advance global development comes at a significant moment in 2015, as the international community turns the page to the next chapter of development, guided by a new blueprint for inclusive global growth. Building on the United Nations' Millennium Development Goals, the SDGs are a universally transformative, people-centred agenda, elaborated from the collective engagement of a broad range of global stakeholders, with bold and ambitious targets for a more sustainable



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## One of tourism’s critical hurdles is its under-representation in international financing for development

future. Through 17 goals and accompanying sub-targets, the SDGs tackle key systemic barriers to sustainable development with the overarching objective to end poverty by 2030.

Among the SDGs, tourism is explicitly recognised by the United Nations as a central factor in achieving Goals 8 (promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all), 12 (ensure sustainable consumption and production patterns) and 14 (conserve and sustainably use the oceans, seas and marine resources for sustainable development).

### Tourism and inclusivity

The inclusion of tourism in the post-2015 development agenda reflects the international community’s increasing awareness of tourism as a vital engine for sustainable development worldwide. Yet crucial requirements remain for the tourism sector to thrive along the sustainable development path, including support at the highest political level and committed financing and investments in technology, infrastructure and human capacity.

Staff wait to greet guests arriving in the Maldives, where tourism was one of the main drivers behind its emergence from least-developed country status

As G20 leaders gather in Turkey to focus on measures to address global challenges and create a more equitable and inclusive society through global actions, I invite them to take a closer look at how tourism can contribute decisively to our common objectives of a fairer, more inclusive and sustainable future.

### Building international understanding

The development potential of tourism is tremendous, particularly as one of the leading employment sectors in the world. The sector represents vital opportunities to create sustainable livelihoods, playing a crucial role in helping to alleviate poverty and driving inclusive development. As tourism revolves around the encounters between different peoples and cultures, it can play a critical role in building international understanding, as well as helping to raise awareness on the critical need for the preservation of our natural and cultural heritage.

In this new chapter of global development, tourism will be counted on to fulfill its role as a key player in achieving the goals of sustainable development, green growth and a more resilient global economy. To echo the words of UN secretary general Ban Ki-moon on the occasion of World Tourism Day 2015, “Let us work together to maximise the immense potential of tourism to drive inclusive economic growth, protect the environment and promote sustainable development and a life of dignity for all.” ■

# Saving Doha: focusing on priority issues



**Mr Jamal Malaikah**  
NATPET President and COO

In November 2001 in Doha, trade ministers launched a new global round of trade negotiations, the Doha Development Agenda (DDA), which was to be concluded by 1 January 2005. More than 10 years later, at the end of July 2015, WTO members missed yet another deadline when they failed to reach an agreement on the Work Program to advance the remaining DDA issues. The Work Program was to constitute a springboard towards the World Trade Organization's (WTO) 10th Ministerial Conference, which will be held in Nairobi in December 2015, and provide some visibility regarding the long-awaited conclusion of the DDA.

Despite the repeated setbacks to the DDA, and the continued liberalisation of trade through an ever-growing web of bilateral and plurilateral preferential trade agreements, the business community needs a multilateral trade agreement. Twenty years after the establishment of the modern multilateral trading system that is embodied in the WTO, business requires a more open, balanced and transparent trade environment to support the global economic recovery and sustainable development.

The reasons for the current deadlock are numerous. Rather than analysing these, let me focus on two priority issues where progress is possible in the near term with significant engagement from G20 governments with the support of the B20.

First, in line with the priorities of the B20 Turkish presidency, G20 governments must rapidly ratify and implement the Agreement on Trade Facilitation (TFA) that was adopted at the last WTO Ministerial Conference in Bali in December 2013.

The TFA must be ratified by at least 107 WTO members to enter into force. To date, only 12 – of which five are G20 members – have ratified it. Prior to the Nairobi WTO Ministerial Conference, G20 governments must place the ratification and implementation of the TFA at the top of their priority list to encourage other WTO members to follow their lead. The TFA, once in force, will bring direct economic benefits to all operators. It is expected to result in one trillion dollars in additional trade (or 1% of global GDP), a reduction of trade costs by 15% and the creation of 21 million jobs.

Second, G20 governments should more actively engage in the DDA negotiations, starting with the negotiations on market-access for non-agricultural goods (NAMA). As recently reported by the Chairman of the NAMA Negotiating Group, the “relatively strong engagement by Members was unfortunately not matched by concrete output”. While certain WTO members may have difficulties conceiving the outcome of the NAMA negotiations in the absence of visible progress on other issues – and in particular, agriculture – the G20 membership should support engagement in different settings to explore potential solutions, accelerate the exploratory phase and start evaluating possible options that could be used as a basis for the Work Program. Building on the work done since the initiation of the negotiations 14 years ago, WTO members should, in particular, address the tariff reduction formula and alternative approaches to reduce tariffs; resume technical work on technical barriers to trade, as these increasingly impair trade; and develop innovative sectoral proposals where the level of ambition is greater.

Third, progress is required in the Rules Negotiations, which aim to clarify and improve disciplines regarding anti-dumping and countervailing measures as well as subsidies. Recent reports by the WTO, as well as the Organisation for Economic Co-operation and Development and the United Nations Conference on Trade and Development confirm that a very significant share of trade-restrictive measures take the form of trade remedies. The 16th *Global Trade Alert Report*, noted that “32% of

all protectionist measures implemented by the G20 during the crisis era were antidumping, countervailing duties, or safeguards actions”. G20 governments cannot afford to wait for the Work Program to be approved for the ‘core’ negotiating issues, which include agriculture, NAMA and services, before beginning to work on amendments to the WTO Anti-Dumping Agreement and Agreement on Subsidies and Countervailing Measures. WTO members have recently reviewed new proposals, including some intended to guarantee greater transparency and due process so as to provide more predictability to the business community. This is a positive development. G20 governments, however, must take negotiations a step further and actually engage on the definition of a Work Program that includes rules matters.

With sufficient political will, an agreement on a Work Program to conclude the DDA negotiations is possible. The business community should reiterate to G20 governments, and those of other WTO members, that failure to reach an agreement in the near term is not an option. An agreement conclusion is essential for the credibility of the multilateral system and for an environment that is more conducive to economic development. The business community needs a rapid conclusion to the DDA negotiations to support future growth.



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# Re-evaluating the SME policy toolbox

— In the midst of changing demographics and technological advances, the G20 must eliminate critical barriers to SME growth and boost access to finance and international markets, says Carlos Magariños, Global Chair, Global Alliance of SMEs



Carlos Magariños is Global Chair of the Global Alliance of SMEs and Non-resident Senior Fellow at the Chongyang Institute for Financial Studies at the Renmin University of China. Founder and Chair of the Global Business Development Network, he sits on the boards of a dozen companies in Asia, Europe and America. He is a former Director General of the United Nations Industrial Development Organization (UNIDO), and has published seven books on development and multilateralism.

[www.globalsmes.org](http://www.globalsmes.org)

Increased growth and more quality jobs are very much needed in a global economy that still drags its feet in the aftermath of the global financial crisis, especially when the new dynamics of emerging economies – after a decade of exceptional growth – promise additional challenges.

They are even more necessary when disruptive technological changes are shaking well-established business models and challenging traditional assumptions on consumption, resources, labour, capital and competition.

G20 leaders understand the problem well and have shown the will to face it. Their agenda has grown to be robust and ambitious, focusing on establishing a global framework for strong, sustainable and balanced growth.

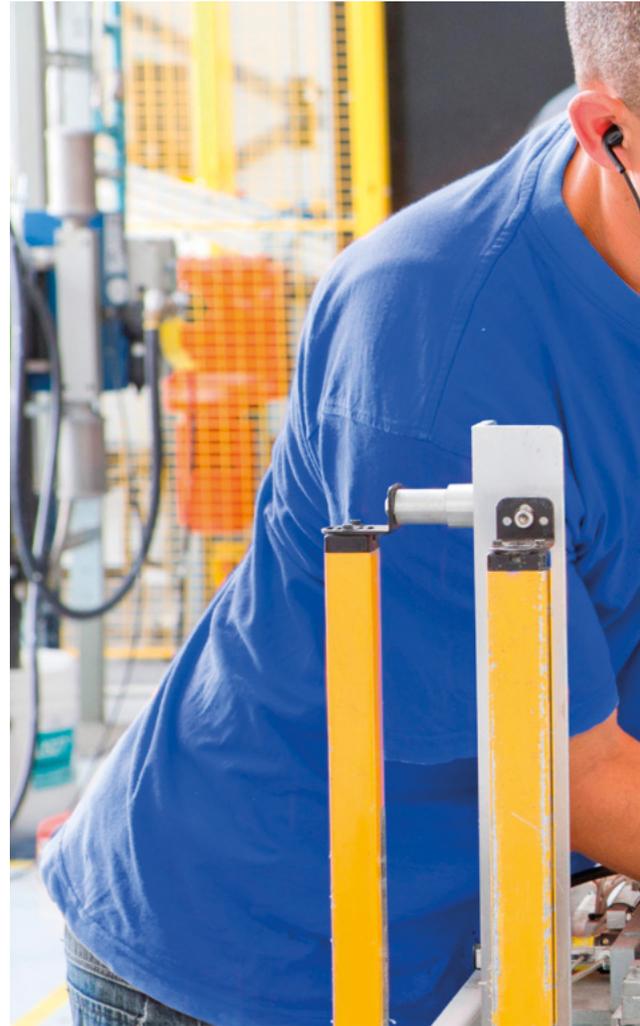
At the 2014 Brisbane Summit, the G20 adopted members' individual plans to lift growth by at least 2% by 2018 and approved an ambitious initiative to expand infrastructure investment.

Leaders were concerned with making globalisation work for all by promoting inclusive growth. The 2015 G20 Turkish presidency is urging a more decisive look at

developing entrepreneurship and small and medium-sized enterprises (SMEs) to achieve such a goal.

SMEs are the backbone of the real economy. They are key generators of income and employment, as well as drivers of innovation and growth.

They dominate the world business stage in number. Estimates suggest that more than 95% of enterprises in the member countries of the Organisation for Economic Co-operation and Development (OECD) are SMEs, accounting for approximately 60% of private-sector employment and 52% of private-sector value added. They represent 16% of gross domestic product



(GDP) in low-income countries (in a large but informal sector) and 51% in high-income countries.

Still, SMEs are the most vulnerable sector of the economy. Unlike large companies, they need special attention. Years of research have provided some basic knowledge about the hurdles they might face making meaningful contributions to inclusive growth by generating more quality jobs.

## Adapting to rapid change

Would it be too ambitious to propose that the G20 leaders create a global compact for SME and entrepreneurship development?

Unless things are done differently, there is a risk that the same, insufficient results in quality growth and job creation will persist. The SME policy toolbox needs to be consolidated, renewed and upgraded. The global economy is changing fast.

Emerging economies now contribute more than 51% of world GDP at purchasing-power parity, creating an emerging global middle class. However, companies from emerging economies still have limited participation in global market capitalisation, accounting for less than 15% of the total.

Defined as people spending between \$10 and \$100 per day, the global middle class accounted for 1.8 billion



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people in 2009, with 54% living in the United States and Europe. In 2020, that group will total 3.2 billion citizens, with 54% in Asia. By 2030, Asia will account for 43% of spending by the global middle class.

However, these important changes are just the tip of the iceberg. Urbanisation, demographics and rapid technological developments (including digitalisation and connectivity) promise yet more revolutionary developments.

## A global compact for SMEs and entrepreneurship development could help unleash entrepreneurial spirit

Between 2010 and 2025, half of global GDP will come from 440 cities (95% of them being small or medium-sized cities in developing countries that are not often talked about). Milan or Madrid will be important, but they will most likely contribute far less to future growth than Cartagena or Ningbo.

Based on current trends, by 2020 demographics and technological change combined will deliver a new kind of

SMEs are set to play an integral role in reducing youth unemployment, which affects 40 million young people across the G20 members

labour market. Business will face a potential shortage of 40 million university-educated workers and a surplus of some 95 million low-skilled workers.

According to McKinsey Global Institute, there is a long list of new technological developments ready to become “the next big thing”, including genomics, robotics, energy storage and renewable energy, 3D printing, cloud computing and the automation of knowledge work.

### Hurdles for SMEs

A global compact for SMEs and entrepreneurship development could help unleash entrepreneurial spirit and the potential of SMEs in a global economy facing a challenging context.

While its detailed framework deserves proper thinking, past policy practice suggests a focus on limited and workable priorities to target common SMEs hurdles, for example:

- Access to capital to complement traditional bank lending with instruments to strengthen asset-based finance among SMEs, including alternative debt mechanisms (corporate bonds, securitised debt, covered bonds), hybrid instruments (combining debt and equity), public SME equity markets and crowdfunding.
- Access to international markets and knowledge flows. This could be achieved by working on global value chains and global production networks in order to create basic standards and disseminate knowledge for SMEs, enabling them to acquire the skills needed to participate more actively in the global economy.
- Access to global and local innovation networks, public research and procurement opportunities to stimulate collaboration among universities, research laboratories and SMEs, such as environmentally sound technologies, new materials and other technologies related to climate protection.
- Improved management skills, including risk assessment, strategic thinking, networking, decision-making, information processing and other similar skills through SMEs and entrepreneurship educational programmes.

Firm age and size are important. Young innovative firms are net job creators (although they could have limited weight in the economy). Teaching SMEs how to handle intangible assets and intellectual capital could also provide opportunities for new firms and create new jobs. A special SME section in multilateral trade agreements could also be explored.

Adding a local dimension and working at city or district level could also be significant. A global database of instruments’ performance information and best practices could be of great help.

Government and business leaders must prepare for a very different reality. New approaches are needed even for well-known challenges, especially if we want to create jobs for inclusive, quality growth. ■

# Avoiding the slow-growth trap

— G20 labour and employment ministers have put together a suite of policy principles to tackle unemployment and underemployment. To achieve these ends, and boost global economic growth, it is imperative these policies are vigorously pursued by all leaders of the G20 nations, writes **Guy Ryder, Director-General, International Labour Organization**



Guy Ryder has been Director General of the International Labour Organization (ILO) since 2012, having held various senior positions in the ILO from 1999 to 2002 and again since 2010. Ryder leads the organisation's action to promote job-rich growth and to make decent work for all a keystone of strategies for sustainable development. He has a background in the trade union movement and is the former General Secretary of the International Trade Union Confederation.

@GuyRyder

www.ilo.org

**S**erious after-effects of the global financial crisis remain evident as G20 leaders gather in Antalya, seven years after their first meeting in the aftermath of the collapse of Lehman Brothers. Annual economic growth throughout the G20 as a whole averaged only 3.2% over the past three years, well below the rate of 4.1% registered in the pre-crisis period.

The G20 unemployment rate rose from 5.1% to 6.0% between 2007 and 2009, and has remained elevated at 5.8% through to 2015. Labour force participation rates have declined in several G20 countries, in part because discouraged workers have left the labour market. Overall, employment growth remains well below pre-crisis levels across all members of the G20.

Against this backdrop, G20 leaders in Brisbane in 2014 set the ambitious goal of raising G20 aggregate gross domestic product (GDP) by more than 2% by 2018 (over the projected level forecast by the International Monetary Fund in October 2013). They have repeatedly emphasised the importance of ensuring that growth produces more and better-quality jobs.

With growth undershooting that forecast in 2014 and 2015, and expected to remain sub-par in 2016, there is little prospect of a fall in aggregate G20 unemployment rates in the near future.

Particular concerns are long-term and youth unemployment, both of which are higher now than before the crisis in most G20 countries. The unweighted average youth unemployment rate was 20% across G20 economies in 2014, and considerably higher elsewhere.



Progress on youth employment requires a comprehensive strategy, including policies to facilitate the transition from school to work and strengthen quality employment and apprenticeship opportunities, as well as action to improve employability, equal opportunities and entrepreneurship. It is encouraging that in Antalya, G20 leaders are expected to adopt a 2025 target of 15% for reducing the share of young people who are most at risk of being left permanently behind in the labour market. The main focus for following up on this commitment is young people with low skills and qualifications, those who are neither in employment nor in education or training (NEET), and the low-skilled who are either NEET or informally employed.

The quality of jobs created is an important indicator of labour market performance. In G20 countries where there is data, much of the net new employment created between 2009 and 2014 was part-time. Figures only indicating employment generation may thus overstate the extent of labour market recovery. Since part-time jobs generally offer lower average earnings, lower levels of job security and weaker social-protection coverage, this type of job creation provides less support to aggregate demand. This shows also that growth is yielding fewer hours of work, even if it is true that the number of jobs has increased.

Recent economic growth in emerging G20 economies has been associated with a decline in jobs paying below \$4 per day. This suggests that productivity growth between 2007 and 2014 was associated with welcome reductions in the number of workers in poverty, or near the poverty line. However, if jobs created in emerging economies are mostly in the informal



JAKE LYELL/ALAMY STOCK PHOTO

economy, the impact on growth will be less robust. Such workers are far less likely than wage- and salaried-workers to benefit from regular incomes, or to have access to social protection.

In emerging G20 countries, 51% of workers were in vulnerable employment in 2014, a reduction of 3.9 percentage points since 2009. Vulnerable employment is a proxy indicator for informality. It measures the share of own-account workers (who work on their own or with a partner in a job that could be considered self-employed, and do not engage any employees) and contributing family workers in total employment. Nearly 56% of workers in emerging G20 countries (excluding China) were engaged in vulnerable

Factory employees in Ivory Coast process pineapples. The quality of jobs created in any country is an important indicator of how the labour market is performing

## Employment growth remains well below pre-crisis levels across all G20 members

employment in 2014, a decline of 3.1 percentage points since 2009. Although this is a sign of favourable labour market trends, the high numbers of workers who remain in vulnerable employment show that the informal economy continues to be stubbornly large, and a significant ongoing challenge.

The current growth trajectory, if unchanged, will not by itself create enough quality jobs. The substantial jobs gap and persistent weakness in job quality, wages and incomes continue to have negative effects on consumption, living standards, investment and government budgets. Ultimately, this means lower global aggregate demand.

Addressing this challenge at their meeting in Ankara in September, the G20 labour and employment ministers recommended a set of policy principles for their leaders to promote more equal economies and fair societies, strengthen social cohesion, and better integrate vulnerable and disadvantaged groups into the economy and the labour market. They recognised that joblessness and underemployment place downward pressure on wages and contribute to increased inequality, and are significant factors in the underlying weakness of aggregate demand in many economies.

The long-term trend of rising inequalities in many G20 economies negatively affects current and potential growth, and is often associated with slow wage growth when compared with productivity gains, and a decline or stagnation in the labour-income share in some countries. Tackling inequalities is therefore important for achieving both stronger economic growth and the creation of better jobs and more inclusive societies.

The labour and employment ministers therefore focused on measures that both reduce inequalities and arrest the falling labour income share. They agreed to:

- **Strengthen labour-market institutions** (social dialogue, collective bargaining, wage-setting mechanisms and labour legislation) based on respect for the ILO's Declaration of Fundamental Principles and Rights at Work.
- **Reduce wage inequality** through policy tools such as minimum wages and the promotion and coverage of collective agreements, and ensuring fair wage scales and that work pays.
- **Improve employment outcomes** for women, youth, older workers, persons with disabilities, migrants and other vulnerable groups in the labour market by strengthening access to effective, active labour market policies.
- **Improve job quality** by fostering the transition of workers from the informal to the formal economy and tackling labour market segmentation.
- **Ensure equality of opportunities** to participate in education, training and lifelong learning (including apprenticeships), especially for those with low to middle incomes, in order to obtain and adapt the skills needed in the labour market, and to reduce intergenerational transmission of inequality.
- **Promote universal social protection**, taking into account the counter-cyclical role of social policies, and providing support to the unemployed and underemployed in order to ensure an effective transition to quality employment.

Alongside investment in infrastructure and macroeconomic measures to foster job-rich growth, this policy package, pursued with vigour across the G20, could stop the global economy's potential slide into a slow-growth trap. The ILO will certainly be working with its global constituency of employers, unions and governments to support this drive. ■

# The business agenda for structural reform

— Comprehensive structural reforms in targeted areas have the potential to lift economic prosperity and raise productivity, writes **Bernhard Welschke**, Secretary General, Business and Industry Advisory Committee to the OECD



Bernhard Welschke has been Secretary General of the Business and Industry Advisory Committee (BIAC) to the Organisation for Economic Co-operation and Development (OECD) since 2013. An economist, he joined BIAC after a successful career in the Federation of German Industries (BDI), leading the departments for European affairs and global governance, among other assignments. He represented German industry and trade in Washington DC from 2006 to 2010. Prior to that, he was a member of the European Union's Economic and Social Committee.

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Last year, the G20 leaders committed to lifting gross domestic product (GDP) by more than 2% across their economies by 2018. Leaders from both the business community and governments have been working this year through the G20 and Business 20 (B20) task forces to translate this ambitious goal into reality.

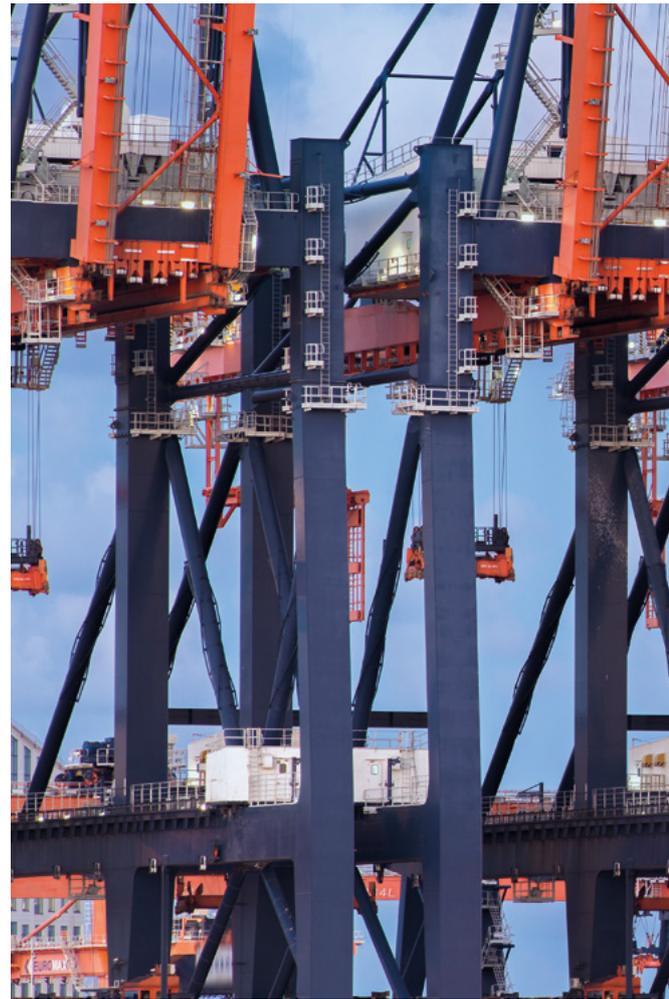
In addition to the continued use of macroeconomic policy levers to support growth in the short to medium term, policymakers can be expected to undertake deep-rooted structural reforms. Research produced by the Organisation for Economic Co-operation and Development (OECD) shows that the structural reforms critical to long-term growth that have been implemented since the early 2000s have contributed to raising the level of potential GDP per capita by an average of 5% across countries. Further reform towards best practice could raise the average long-term level of GDP per capita by up to 10%.

The Business and Industry Advisory Committee (BIAC) to the OECD has been working with the B20 to highlight how structural reforms can create opportunities for the private sector to drive more jobs, growth and economic prosperity.

## Which structural reforms?

While there is no one-size-fits-all approach, research shows the reforms that contribute most to raising GDP are those aimed at boosting productivity. As a number of countries currently face a productivity slowdown, a comprehensive set of reforms is needed that will increase investment, bolster trade and make it easier for companies to hire.

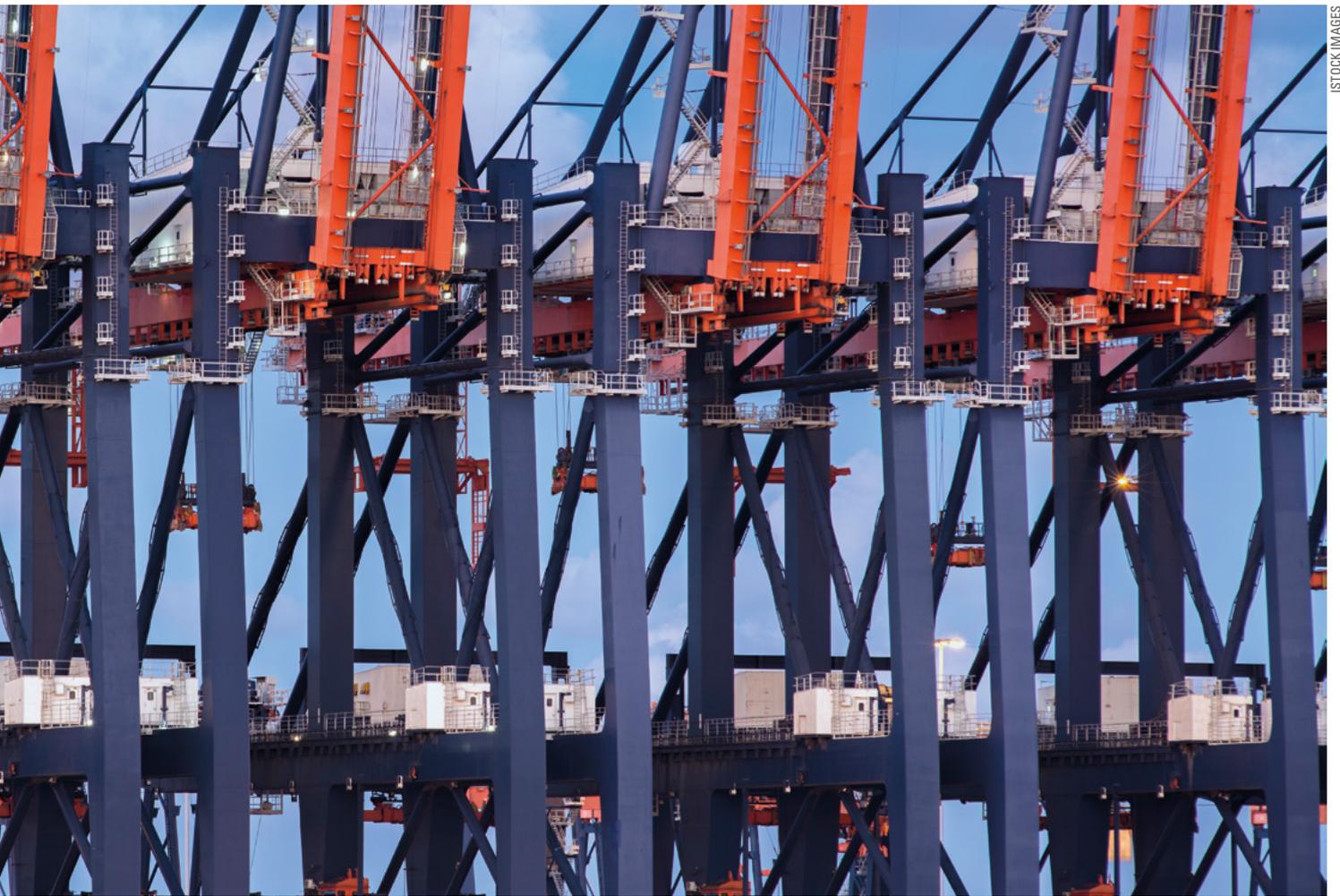
One of the major structural issues to be addressed is the regulatory burden facing companies. The 2014



BIAC Economic Policy Survey found that more than 70% of private-sector respondents consider product market regulation among their top five national policy priorities in 2015, with the vast majority calling for the reduction of economy-wide and sector-specific regulatory burdens. In practice, this means reforms that reduce the scope of state intervention and public ownership, improve the transparency of regulation, and streamline permit and licensing systems.

Two other structural areas where BIAC has been working to promote reform are trade and investment, which are still below their pre-crisis levels. The Transatlantic Trade and Investment Partnership and the Trans-Pacific Partnership must both be completed in order to boost these opportunities, while ensuring that the World Trade Organization agenda continues to be strengthened. BIAC is also working with the OECD to give business inputs on the importance of foreign direct investment for our economies and their participation in global value chains. Significant costs to growth and employment are still caused by protectionism, administrative hurdles and barriers to markets.

Identifying areas for structural reform is not enough. The real challenge that must be addressed is implementing those reforms. OECD research finds that in most advanced economies the pace



ISTOCK IMAGES

## Structural reforms can create opportunities for the private sector to drive more jobs

of implementation has slowed over the past two years. This implementation slowdown may be due to political economy factors, social concerns or shortcomings in the regulatory policymaking processes in many countries. For example, in many cases, minimum periods for consultation on proposed policy reforms are insufficient. Regulatory impact assessments – essential in making the case for reform – are carried out too rarely.

### BIAC's contribution to the B20 and G20

As a key knowledge partner to the B20, BIAC has been working to connect the work of the B20 task forces with the policy areas that the OECD works on in partnership with the G20. This all came together in June 2015 at the OECD headquarters in Paris, where BIAC co-hosted a special event bringing together all six task forces of the B20 to discuss their respective policy recommendations and obtain feedback from governments and OECD leadership. Participants included OECD Secretary-General Angel Gurría, Turkey's G20 Sherpa Ayşe Sinirlioğlu and B20 Turkey Chair Rifat Hisarcikioğlu.

Cranes ready to unload cargo at Rotterdam Harbour. With trade growth still below pre-crisis levels, BIAC supports the Transatlantic Trade and Investment Partnership

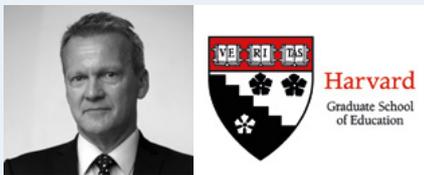
Another important area where there is a need for more policy dialogue is the consequences of financial market regulation for growth and investment. For these reasons, BIAC and B20 Turkey also co-hosted a conference on the financing of small- and medium-sized enterprises (SMEs) in world markets in June in Paris. Connecting across various B20 and G20 activities, the conference paved the way for coordinated actions aimed at supporting SME financing and resulted in a BIAC-B20 Turkey publication entitled *Business Access to Global Value Chains and Financing SMEs*. Released publicly ahead of the G20 Sherpas' meeting in June 2015, several recommendations contained in the publication – such as strengthening SME access to traditional bank financing, encouraging timely payments and enhancing SME financial skills – are acknowledged in the draft G20/OECD High-Level Principles on SME Financing.

The commitment to structural reform needs to continue beyond the Turkish G20 presidency. As China's efforts to tackle its domestic economic challenges have taken centre stage in the global economy, its G20 presidency in 2016 will be of enormous significance. Building on the important milestones achieved by the Turkish B20 presidency, BIAC looks forward to deepening our cooperation with the Chinese B20 presidency and ensuring continuity in B20 efforts as we prepare for next year. ■

# The myth of an education marketplace



Children in their unfurnished classroom listening to their teacher in a school building still under construction in Cambodia



## Pasi Sahlberg

Visiting Professor of Practice, Harvard University's Graduate School of Education

Today, education policymakers and politicians around the world face a twin challenge. Schools should do more with less and, at the same time, education systems should score higher in international education league tables. As a consequence, governments are looking for education policies and reform models from better-performing countries, often employing fashionable ideas, such as corporate management models, to catch up with the leading pack.

We should be careful, however, when borrowing educational ideas from other countries. What has made an education system work well in one country won't necessarily work in another. Furthermore, policymakers should also be aware of myths about what is behind the success of these education systems.

Common beliefs as to why some countries have better schools than others maintain that the best and the brightest young people become teachers; that students and teachers are required to work harder; and that computers are better used in teaching and learning. As a consequence, the race to the top positions in global education rankings has led many countries to focus more on schools' test results as proof of success.

But, to do that is to define successful education too strictly. The quality of an education system is more than high academic test scores. In a successful

education system, the gap between low- and high-achieving students is narrow, a student's family background is not the sole determinant of achievement and resources are used wisely. Today, most successful education systems have designed intelligent policies based on complete system improvement, or, in other words, the simultaneous pursuit of academic excellence and equity of education.

The argument for more market-based solutions to improve the quality of schooling ignores a growing pool of globally

repeated in research on the United States, Chile, Australia and Sweden, where market solutions have been tested in large-scale school reforms. Why then are market-based education policies so persistent in today's education world? One reason is that with the expanding pool of studies funded by various interest groups, it is easy to cherry-pick the evidence that supports any chosen policy direction. By manufacturing information deliberately, any decision-maker can claim his or her policies are 'evidence-based' and justified.

## Governments need to get the big picture for their nation's educational landscape right

comparable data and academic research on good pedagogy, school improvement and high-performing education systems. The Organisation for Economic Co-operation and Development (OECD), which coordinates the influential Programme for International Student Assessment (PISA) study, makes this clear. In its most recent reports on the 2012 PISA study, the OECD draws four lessons for enhancing the performance of education systems: first, school choice for parents and competition between schools over enrolment are not related to better system performance; second, school autonomy over curricula and assessment appears to improve performance; third, the percentage of students enrolled in private schools is not related to a system's overall quality; and fourth, computers do not improve students' results.

This evidence from across OECD countries indicates that market-based education policies are not the best way to improve a country's educational performance. A similar conclusion is

What governments need to get right is the big picture for their nation's educational landscape. Better education for all our children will not come from borrowing wrong policies from other countries or from managing education systems like businesses. What we need now instead is to have schools where curiosity, engagement and talent is truly discovered and nurtured. The evidence is clear – so should be the road ahead.



Education International  
Internationale de l'Éducation  
Internacional de la Educación

Boulevard du Roi Albert II, 5  
1210 Brussels, Belgium

T: +32 2 224 06 11

F: +32 2 224 06 06

E: [headoffice@ei-ie.org](mailto:headoffice@ei-ie.org)

[www.ei-ie.org](http://www.ei-ie.org)  
#unite4ed

# Keeping the promise on education

— In assessing the success of education reform measures, countries are being encouraged to implement new systems of learning and financing to deliver on education goals, says **Claudia Costin, Senior Director, Education, World Bank Group**



Claudia Costin is Senior Director of the education global practice at the World Bank. Before joining the World Bank in July 2014, she was Secretary of Education for the city of Rio de Janeiro, Brazil. She has been Vice President of the Victor Civita Foundation, and helped to create the civil society movement Todos pela Educação. Former positions in Brazil include Secretary of Culture, São Paulo State, and Federal Minister, Public Administration and State Reform.

@ClaudiaCostin

[blogs.worldbank.org/team/claudia-costin](https://blogs.worldbank.org/team/claudia-costin)

**A**ccess to education is one of the surest ways we have to end extreme poverty in the world. It has the power to raise incomes, unleash human potential and make broad contributions to development, from advances in health and science to agricultural innovation, industrial development and private-sector growth.

In recent years, developing countries have made dramatic progress getting more children into school. However, the full promise of education remains unfulfilled, because going to school does not always result in actual learning. Across the developing world, an estimated 250 million children cannot read or write, even though many have been to school.

At the World Bank Group, we are committed to ending extreme poverty by 2030 and to achieving shared prosperity for the poorest 40% of people living in developing countries. Delivering real learning for all children and youth is absolutely integral to our mission.

Furthermore, the Sustainable Development Goals recently adopted at the United Nations now represent an ambitious agenda for the world. Stronger

and more equitable education systems that really ensure learning will need to be a critical element of any national strategy to reach these goals.

The specific goal on education (SDG 4) calls for inclusive and equitable quality education and life-long learning opportunities for all. We believe that countries can achieve this by investing early to ensure that children are prepared to learn by the time they enter primary school, investing smartly to ensure better results, and investing in such a way that the benefits reach all children and youth, especially those from poor and marginalised groups.

Why invest early? Increasingly, policymakers are paying more attention to early childhood development programmes – which cut across the health, education and social protection sectors – not only because these programmes help children benefit more from their primary school experience, but also because they influence their future earnings as adults.

In one groundbreaking study, Nobel-winning economist James Heckman, Paul Gertler and others showed that Jamaican children from poor and disadvantaged families who took part in an early childhood development programme earned 25% higher wages as adults. These striking results were produced by interventions as simple as teaching mothers how to play with and talk to their toddlers at home. These findings have profound significance as countries look for ways to ensure that economic growth is inclusive and that the rising tide lifts all boats.

Moreover, we know that when children under the age of five lack access to early childhood development programmes there are long-term, often irreversible effects on educational attainment, health, fertility and productivity. The cost of this neglect, both to them and to society, is also significant. In financial terms alone, increasing preschool enrolment to even 50% for children in developing countries could result in lifetime earnings gains of \$15-\$34 billion.

## More support for results-based financing

Countries need to invest smartly in education to make systems stronger for the long term. One set of innovative financing solutions, together known as results-based financing, makes financing contingent on the achievement of pre-agreed results. The World Bank Group announced in May 2015 that it will double its support for results-based financing in education to \$5 billion over the next five years. This approach is already widely used in the health sector.

Since then, two large results-based financing loans have been approved by our board: one to enhance the effectiveness of elementary school teachers in Bihar, India, and another to support another Indian state, Madhya Pradesh, in its higher education reforms. Policymakers are increasingly using this approach in countries as diverse as Bangladesh, India, Jamaica, Pakistan and Tanzania. In Pakistan's Sindh province, for example, about 17,000 teachers have been recruited through a transparent merit- and need-based system, using results-based financing.

**Across the developing world, an estimated 250 million children cannot read or write, even though many have been to school**



SCOTT WALLACE/WORLD BANK

As incentives within education systems are better aligned with desired outcomes – usually a chain of targets that lead to greater learning – the focus shifts beyond inputs such as buildings and blackboards and towards results and impact. Rigorous evaluation of reform measures provides evidence that can be used to further strengthen systems, creating a virtuous ‘systems-results-evidence’ cycle that will attract more resources towards education, ensuring that countries can find the financing that will be needed to reach their overarching education goals.

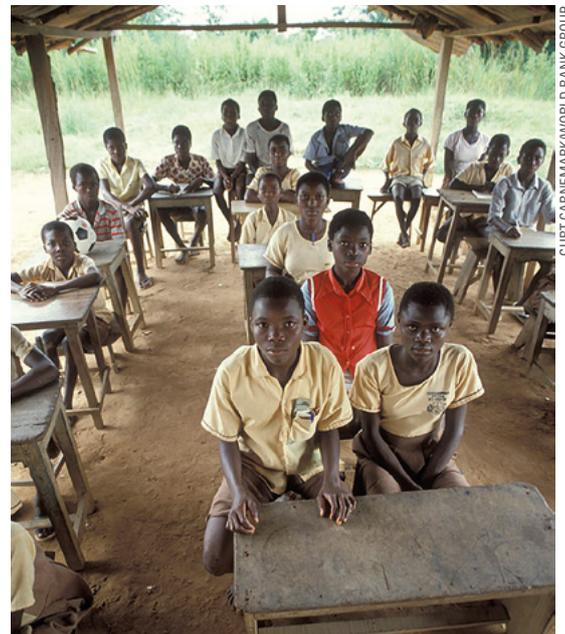
While tackling the massive learning crisis in schools is a difficult but not impossible challenge, countries also need to close the remaining access gap. According to UNESCO, an estimated 124 million children and adolescents remain out of school at the primary and lower secondary levels.

These are also the hardest to reach: girls; children who live in extreme poverty, in slums and remote areas, and in fragile and conflict-affected environments; children from ethnic minorities and lower castes; and those who have disabilities. These are the very children for whom quality education could represent a sure way out of poverty and deprivation.

G20 leaders can help neglected and under-served children and youth by recognising and supporting the case for making smart and sustainable investments in quality education, including in middle-income countries, to break the cycle of poverty and achieve inclusive growth. Girls will need particularly strong support to transition to secondary school. This calls for championship at the highest level to ensure a coordinated effort across transport, school

Girls in particular need strong support to transition to secondary school

Quality education provides a way out of poverty, but leaders need to put structures in place to ensure schooling opportunities are available to the most disadvantaged families, who are also the hardest to reach



CURT CARMARK/WORLD BANK GROUP

infrastructure and staffing, and social safety nets that reach disadvantaged families.

Every child deserves the right to reach his or her full potential and take advantage of the many economic opportunities that may come along in an increasingly connected world. We need to do more, as a global community, to keep the faith with parents and children, and to ensure that being in school delivers the learning results and the eventual life benefits that they expect from education. As the African proverb goes, it takes a village to raise a child. ■

# Transforming education to deliver on the Sustainable Development Goals

**M**eeting the goal of offering equitable, inclusive and quality education for all is a challenge for all education systems. It is a crucial target if we want to ensure a sustainable future and stimulate future economic growth. Enhanced education and human capital can only be achieved with the help of technology. The scale of need for education far outstrips current capacity, and technology can empower education systems to bridge the gap. Governments will need to drive holistic education transformation harnessing appropriate technologies to cater to the needs of students, teachers and educational institutions. Ensuring students and teachers have access to devices, connectivity, content and training is essential to make this transformation.

The first step towards quality education is to build educator, leader and school capacity. We support national and regional education decision makers in building out their strategic plans for change and making wise choices in technology investments. Microsoft has committed more than \$750 million over 15 years in professional development for teachers and school leaders. Our professional development tools, courses and certification empower teachers to take charge of their own learning and continuously build their skills – as well as earn globally benchmarked credentials. Trained teachers can design and lead 21st century learning activities in their schools and lead change from the grassroots.

The Microsoft Innovative Schools Program brings together a growing network of more than 300 pioneering institutions across the world. They demonstrate how powerful quality learning experiences can be when enabled by 1:1 Windows devices for students and Office 365 for collaboration. These creative schools mentor others as they evolve their approaches.



Literacy and numeracy targets can be achieved by equipping students with tools to support learning. Through offering students Office 365 on up to five devices at no cost, we can boost student and teacher productivity and collaboration through the learning process. Microsoft's experience offering tools such as Microsoft Math to students in South Africa and South-East Asia demonstrate that appropriate apps, accessed through mobile devices, can raise student achievement. The Lit4Life.net platform empowers any teacher, student or educational organisation to create and publish their own e-book using the Chekhov Story Author app. This is a vital tool to easily generate digital content for teaching and learning, and to improve literacy skills.

Vocational skills for employability are also critically important to prepare students for their future working lives. Digital literacy and computational thinking can be built from the earliest stage with tools such as Kodu and Project Spark, which introduce students to coding. Through YouthSpark and Microsoft IT Academy, we support any

student from secondary school through to professional level IT qualification – whether as skilled Office specialists, creative designers or technical developers. And Microsoft Virtual Academy offers hundreds of free online technical skills courses.

The Sustainable Development Goal targets are an inspiring challenge to galvanise action in the education sector. At Microsoft, we partner with, non-governmental organisations, international organisations such as UNESCO and national ministries of education to transform education. We want to deepen and enrich our partnerships in education to help meet this challenge and make a real difference to students across the world.

*Learn more about Microsoft in Education:*  
<http://education.microsoft.com>

# Making the workplace work for women

— To meet its goal of reducing the labour force gender gap by 25% by 2025, the G20 must let go of past failures and focus on ensuring women's full economic participation, writes **Julia Kulik, Senior Researcher, G20 Research Group**



Julia Kulik is a Senior Researcher for the G20 Research Group, the G7 Research Group, the BRICS Research Group and the Global Health Diplomacy Program, based at Trinity College and the Munk School of Global Affairs at the University of Toronto, Canada. She has written on G20, G7/8 and BRICS performance, particularly on the issues of gender equality and regional security. Kulik leads the groups' work on gender, women's health, regional security and summit performance.

@juliafkulik

www.g20.utoronto.ca

**B**efore its summit in Brisbane in November 2014, the G20 rarely acknowledged the importance of the economic empowerment of women in a meaningful way. While branding itself the premier forum for its members' international economic cooperation and committing itself to work towards shared and inclusive growth, the G20 regularly failed to adequately recognise one key driver of that growth: female participation in the workforce. At St Petersburg in 2013, the leaders did emphasise enhancing women's financial inclusion. Yet, only at Brisbane did they make a firm commitment to reduce the gender gap in their labour force by 25% by 2025. What role does female participation play in creating global growth? Where do G20 leaders stand on implementing their Brisbane commitments on gender equality, and how can the Antalya Summit best help?

Growing evidence has shown that women are powerful drivers of economic growth. Yet even with the narrowing of many gender-related gaps in education and healthcare, gaps in economic participation and outcome remain large. Estimates suggest that raising female employment levels to those of males would increase gross domestic product (GDP) in the United States by 5%, in Japan by 9% and in Egypt by 34%. Leaving these gaps unfilled means that countries fail to tap into a significant portion of their society's potential. Empowering women to participate and lead in both the public and private spheres contributes to a stronger, more sustainable economy. Allowing women the opportunity to earn and control income encourages

more shared and sustainable economic growth because women are more likely than men to invest in their children's education. Enhancing female participation in leadership roles diversifies decision-making processes and improves corporate governance. The continued exclusion of women undermines the fundamental principles of equal opportunity and social justice and renders society less cohesive and less stable.

G20 leaders responded to this issue at Brisbane. Alongside their commitment to raise GDP by at least 2% above the baseline trend by 2018, they agreed to reduce the gap in labour force participation rates between men and women by 25%. This, they said, would bring more than 100 million women into the workforce, increasing global growth and reducing inequality. The Organisation for Economic Co-operation and Development (OECD) and the International Labour Organization (ILO) were mandated to help implement this commitment.

According to the G20 Research Group's interim compliance report, by the halfway point between the Brisbane and Antalya summits G20 members had complied with this commitment at a level of 55%. Some important steps had been taken. In December, Germany adopted legislation that required all non-executive boards in domestic companies to consist of 30% women. In March 2015, Japan committed to creating 400,000 new childcare places by 2017. However, five G20 members – Argentina, China, India, Indonesia and South Africa – had yet to act.

## Fair distribution of responsibility

The ILO has indicated that specific targeted fiscal policies encourage increases in female labour force participation. Such policies include replacing taxes on family income with taxes on individual income and removing tax penalties for secondary earners. On the expenditure side, the ILO recommends well-designed family benefits, appropriate paid leave policies, female education and affordable childcare. Also essential

## Growing evidence has shown that women are powerful drivers of economic growth

are closing the gender pay gap in all G20 members and implementing policies to mitigate the burden of unpaid care work. Women on average spend two to five more hours a day than men on child- and eldercare, domestic work and community and neighbourhood work. These are fundamental aspects of maintaining a healthy society, but the disproportionate distribution of responsibility has long-term impacts on financial stability and upward mobility.

Action on these recommendations, however, was absent at the G20 ministerial meetings held in Ankara in September 2015. The labour and employment ministers did refer to the G20 25x25 commitment, but offered



no specific steps about how to meet this goal. Instead, they seemed to have left the responsibility in the hands of two newly established lower-level groups, the G20 Employment Working Group (EWG) and the outreach Women's 20 (W20) group. And the gap in female labour force participation and other economic issues related to women were absent from the meeting of the finance ministers and central bank governors.

### New goals on gender equality

On 25-27 September, world leaders met in New York at the United Nations to launch the new Sustainable Development Goals (SDGs). This new development agenda consists of 17 goals, including one stand alone goal – SDG 5 – on gender equality and the empowerment of women and girls. One component of this goal is to ensure women's full and effective participation and leadership at all levels of decision-making in political, economic and public life. SDG 5 includes ending sexual violence and forced marriage; two commitments previously agreed on by G7 and G8 leaders at their summits in 2013 and 2014. It also contains a recognition and valuation of unpaid care and domestic work, an essential component to increasing female labour force participation. The UN has thus provided world leaders with a comprehensive set of goals on improving gender equality, encompassing a variety of sub-issues that are essential to reaching the overall goal. The SDG process also includes indicators to measure progress on the goals, which will be finalised by 2016.

If G20 leaders are committed to making significant progress on achieving gender equality, they should embrace the framework set out and adopted by all

Christine Lagarde, Managing Director of the International Monetary Fund, speaks at the 2014 World Assembly for Women in Tokyo, which took place as the Japanese Government promised to address the country's gender gap

members of the UN. It is more comprehensive than the selective, issue-specific approach that the G20 has taken. The G20's 25x25 commitment also lacks a few essential components that encourage success, such as short-term targets that focus attention and spur action. G20 leaders should now concentrate on meeting and supporting the agreed SDGs. They should first mobilise resources for the toughest components, as the G8 did in 2010 for Millennium Development Goals (MDGs) 4 and 5 on maternal, newborn and child health. Second, they should establish an independent accountability mechanism that monitors the progress of members and supports and enhances the UN mechanism, which often lacks transparency and timeliness. Third, they should increasingly integrate the W20 into the formal G20 process in the way that the B20 has been embraced. They should encourage labour and employment ministers to take up gender equality issues more seriously. Finally, they should expand the resources and role of UN Women as the part of the UN system dedicated to the cause.

### Letting go of past failures

The Turkish presidency has proposed three 'T's for its Antalya Summit, including one I for inclusiveness. Inclusive growth is not possible without the full participation of women in each G20 society and worldwide. The year 2015, which includes both the G20 Antalya Summit and the UN SDG Summit in New York, is an opportunity to let go of past failures, particularly MDG 3 on gender equality, and fully commit to achieving SDG 5 by bringing more women into the workplace and ending outdated gender norms that prevent this progress. ■

# Building harmonious infrastructure PPPs

The world is ready to move past the global financial crisis trauma. With the 2015 Paris Climate Conference (COP21) just a few weeks away, it is now all about putting finance to better use than short-term speculation, for the benefit of communities. In this respect, the past year gives reason to hope, as it has been the most successful for infrastructure fundraising since the crisis began. Indeed, it has seen a number of projects emerge, which will undoubtedly improve the living conditions of many communities, and allow for more inclusive growth in many regions.

At the same time, climate change is already hampering global growth and hitting developing countries the hardest, and infrastructure deficits have been growing wider as cities in developed countries have outgrown their transportation or energy systems, and those in developing countries have boomed because of swift urbanisation. This means we must now enter a new phase of collective action, and at last channel the immense pools of long-term savings parked in low-yielding assets towards long-term infrastructure assets with higher returns.

Right now, devising the tools that allow us to do this is our greatest collective challenge. Thankfully, over recent years, the G20, the Organisation for Economic Co-operation and Development (OECD) and the World Economic Forum have considerably improved our understanding of the bottlenecks that the infrastructure industry still faces. This is why we believe the goal set by the Turkish presidency of the G20 is right: we need to move into the implementation phase.

We all know that infrastructure is big, heavy and expensive. We also know that infrastructure is often seen as unattractive to investors because of a lack of standardisation in project processes; the cross-border (and therefore cross-jurisdictional) nature of many projects

such as road and rail projects; uncertain regulatory environments; and poor and inefficient planning and approval methods across a wide variety of geographies.

But we also see that imaginative governments and procuring authorities – not just in Turkey but across the globe – are increasingly seeing the public-private partnership (PPP) model as a useful tool in their development strategies. Not just because it is efficient, cost-effective and offers great value for money, but also because it can help answer the many social needs that come with swift urbanisation and the rapid emergence of middle classes.

## Implementing successful PPPs

Following this rationale, the Turkish Government has, in a succession of deals with Meridiam-led consortia, achieved a range of infrastructure financing successes, most notably the Adana Integrated Healthcare Campus that reached financial close in December 2014, and was the first healthcare PPP to have taken place in Turkey. Furthermore, in June this year,

Meridiam, again in a partnership with leading contractor Roneseans, achieved financial close on the Yozgat healthcare facility in the centre of the country. There are further such projects in the pipeline. The PPP concept is alive and well in Turkey, as evinced by the success of these deals.

But these deals do not come easily, and they require far more than just the planning skill and business acumen of the parties involved. They need holistic, root-and-branch cooperation across the entire spectrum and whole life of a project. Infrastructure investors and procuring authorities not only need to work in harmony (which is hard enough as it is), but also need to incorporate every single stakeholder in a proposed project. This includes local authorities, elected national and local officials, and the communities that live around the projects to make sure that they operate at the best possible level and also benefit every single one of those stakeholders. This implies training and a cultural appreciation from a broad spectrum of actors – from financial experts, to civil service experts, to legal



Erman Ilacak (President of Roneseans Holding), Mehmet Muezzinoglu (Minister of Health for Turkey) and Thierry Deau (Founder and CEO of Meridiam) celebrate the Financial Close of the Adana Hospital PPP



experts, to community leaders. PPPs are simple in theory, but are rarely simple in execution, due to this vast spread of stakeholders operating in the sphere. But they are not impossible; with patience, mutual understanding and diplomacy PPPs can be achieved with great success for everyone involved.

An excellent example of this is Meridium's thorough approach to the Turkish opportunity with regards to environment, social and governance (ESG) matters. Meridium has, since our inception in 2005, mainstreamed ESG considerations into our investment and asset management processes and into our cultural DNA. In the Adana project, for instance, a stakeholder engagement plan (SEP) was implemented to hear the concerns of every group of stakeholders before the project started. This helped to proactively identify and involve all

potentially affected stakeholders, generate an understanding of the project among those affected, identify issues early in the project cycle, and ensure that mitigation measures were implementable, effective and efficient. Concurrently, an environmental and social impact assessment was carried out to proactively identify potential environmental and social impacts and risks associated with the project and develop appropriate mitigation measures. These two were then combined into a comprehensive environmental and social action plan in order to recommend measures to mitigate issues such as noise and air pollution, waste management, the relocation of nearby shanty houses, worker and community safety and grievances, and the sensitive management of traffic during construction.

It is by such root-and-branch and holistic engagement that infrastructure

communities can be made to work for the community in order to provide long-term and sustainable benefit for all stakeholders. Turkey, on the fringes of one of the most unstable regions in the world at the moment, is taking bold, well-thought-out and imaginative long-term measures via its extensive PPP programme to ensure that its country and its economy remain stable for generations to come.

We need to feed on this example to answer the urgent global call for investment in infrastructure in the developing and developed worlds alike. Yet, this sense of urgency must also stem from a higher moral purpose: there are currently many countries whose economic and social infrastructure is or has been utterly destroyed by war. When those countries and their populations are at last able to enjoy peace – and they will – we need to make sure that we are ready to help them build a lasting peace by providing the means to fair economic development.

## ABOUT MERIDIAM

Founded in 2005, Meridium is an independent investment firm specialised in the development, financing, and management of long-term public infrastructure projects. With offices in Paris, New York, Toronto and Istanbul, Meridium is a leading investor in public infrastructure in Europe and North America. Currently managing €3.2 billion (\$3.5 billion) of assets, the firm has, to date, invested in 44 projects. Meridium is one of the first investors and asset managers to receive ISO 9001 certification for its responsible investment process and is a founding member of the Long-Term Infrastructure Investors Association. For more information, please contact [communications@meridium.com](mailto:communications@meridium.com)



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# How to create successful public-private partnerships

— Bridging the infrastructure investment gap in Asia and the Pacific requires greater private-sector involvement, but public-private partnerships must be constructed with care, says **Takehiko Nakao**, President, Asian Development Bank



Takehiko Nakao assumed the presidency of the Asian Development Bank (ADB) in 2013 and chairs its board of directors. Previously, he was Vice Minister of Finance for International Affairs at Japan's Ministry of Finance. In a career spanning more than three decades, Nakao has held other senior positions in the Ministry of Finance, including Director General of the International Bureau, where he fostered close ties with G20 members and leading figures in the Asia-Pacific region. He also served as an economist and adviser at the International Monetary Fund.

@ADB\_HQ

www.adb.org

**S**ustainable infrastructure – from reliable power and water supplies to well-built roads and airports – is central to a country's economic growth and sustainable development. It is also essential for its quality of life, access to education, health services and jobs. However, many parts of the Asia and Pacific region are seriously lacking in infrastructure. Research by the Asian Development Bank (ADB) in 2010 estimated the region's infrastructure investment needs at \$8 trillion through to 2020.

To meet these financing needs, governments are mobilising more tax revenues for infrastructure investments and borrowing from international financial institutions such as ADB and other bilateral partners. But this is not enough. Tapping private-sector resources locally and abroad is crucial. Contractual arrangements, where a government partners with the private sector to deliver infrastructure services through public-private partnerships (PPPs), can be particularly effective in narrowing the region's infrastructure gap.

## Designing and developing PPPs

PPPs can take several forms, from simple contracts for private-sector-run delivery of public goods and services to more complex build-operate-transfer (BOT) agreements. Under BOTs, private parties finance and build infrastructure, then operate it over a fixed period to generate returns before transferring ownership to the government. By drawing on private-sector expertise and skills, PPPs can also deliver high-quality construction, operational performance and risk sharing.

However, PPPs are not a panacea. Unless designed and implemented properly, they can require more tax resources to cover losses. In the worst cases, projects can be abandoned.

ADB is a well-known financier of infrastructure in Asia and the Pacific. What may be less known, is that the bank also plays an important role as a partner and developer alongside governments to help identify and crowd in financing for infrastructure. It helps spur the development of PPPs by supporting policy and regulatory reform, providing dedicated project preparation facilities, offering transaction advisory services and preparing PPP knowledge products.

ADB is a long-time partner in policy and regulatory reform, providing technical assistance and helping to build government capacity. For example, ADB assistance has recently helped countries such as Papua New Guinea and Vietnam with drafting and implementing various components of their respective PPP regulations and legislation. Last year, ADB helped train more than 2,000 government officials in basic PPP skills in China.

## Sustainable infrastructure

Comprehensive technical input and advice are important for successful PPPs. Upfront preparation costs can be daunting, and dedicated facilities for project preparation can help build a 'pipeline' of potential PPP projects. One such example is ADB's partnership in the Philippines. In 2011, ADB, Australia, Canada and the Philippines partnered to improve the PPP enabling environment and provide funding for a project development and monitoring facility (PDMF). The PDMF is designed to develop, competitively tender and monitor implementation of PPP projects. Administered by the PPP Center of the Philippines, the PDMF has supported the preparation of a pipeline of more than 40 projects, now in various stages, with an estimated value of about \$15 billion.

ADB has established a new regional facility dedicated to project preparation, the Asia Pacific Project Preparation Facility (AP3F). AP3F, which was endorsed in the G20 Development Working Group's response to the Assessment of Project Preparation Facilities in Asia Pacific in 2014, will help governments prepare infrastructure PPPs. The facility is being implemented with contributions from ADB and donors, including the governments of Japan, Canada and Australia. Additional support from other G20 members will further galvanise AP3F as a dedicated resource to help developing Asia and the Pacific in assessing and structuring sustainable infrastructure PPPs.

Governments in Asia and the Pacific need trusted advice in preparing and developing PPPs – challenging, pathfinder projects in particular. In September 2014, ADB established the Office of Public Private Partnership to provide PPP transaction advisory services to government clients. ADB advisory teams are helping to advance landmark PPP transactions throughout the region. This includes support for the Philippines' largest PPP, the North-South Railway Project, Mongolia's first PPP, a \$1.3 billion combined heat and power plant,



ASIAN DEVELOPMENT BANK

## Governments across Asia and the Pacific need to continue to show strong political commitment to well-prepared PPPs

and the 1,600km Turkmenistan-Afghanistan-Pakistan-India (TAPI) natural gas pipeline project.

ADB is an important partner in PPP knowledge initiatives led by multilateral development banks. These include a new global skills accreditation programme, a joint-MDB online portal ([www.pppknowledgelab.org](http://www.pppknowledgelab.org)), the biannual PPP Days conference and innovative tools such as the International Infrastructure Support System. ADB is also collaborating with other MDBs, as well as the G20's new Global Infrastructure Hub, to improve information sharing and address data gaps related to infrastructure investment.

### Three steps to investment

The G20, in close cooperation with partners such as ADB, is supporting actions in the following areas to help developing Asia and the Pacific attract greater private investment in sustainable infrastructure, particularly through PPPs.

A railway station in Ashgabat, Turkmenistan. Several development partners have been involved in upgrading the country's transport network, including ADB and the Islamic Development Bank

First, creating better regulatory environments to ensure smooth project implementation. Inconsistency or frequently changing rules are not conducive to attracting private investors. Good coordination among government agencies is vital. Effective mechanisms for land acquisition, resettlement and compensation will help minimise delays to approvals and implementation.

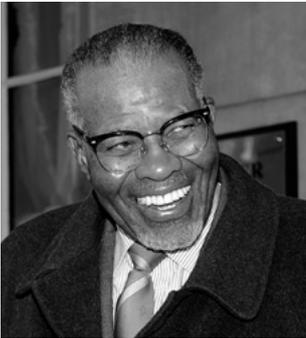
Second, deepening government knowledge and capacity, particularly in PPP project preparation. It is important to select the right projects to pursue, and to manage fair and transparent bidding.

Third, deepening and broadening local and regional capital markets to channel Asia's large savings to infrastructure investment. It is also crucial to strengthen the expertise of local banks in project finance.

The G20 and ADB continue to support progress on all these fronts. To build trust with private sector partners and catalyse much-needed investment, governments across Asia and the Pacific need to continue to show strong political commitment to well-prepared PPPs for sustainable infrastructure. Governments, private firms, banks and international development partners such as ADB and the G20 should continue to make the most and best use of PPPs to close the infrastructure gaps in Asia and the Pacific – sooner rather than later. ■

# New structures for finance

— Gaps in infrastructure financing could reach \$70 trillion by 2030, and addressing the shortfalls requires an innovative solution, explains **Dr Ahmad Mohamed Ali Al Madani**, President, Islamic Development Bank Group



Dr Ahmad Mohamed Ali Al Madani has been President of the Islamic Development Bank (IDB) since 1975. A Saudi Arabian national, he began his career as Director of the Scientific and Islamic Institute in Yemen. He returned to Saudi Arabia to assume the position of Acting Rector of King Abdulaziz University from 1967 to 1972. Dr Ali served as Saudi Arabia's Deputy Minister of Education from 1972 to 1975. Upon the initiative of the late King Faisal Bin Abdulaziz, when the Organization of the Islamic Conference decided to establish the IDB, he was chosen as its first president.

[www.isdb.org](http://www.isdb.org)

Infrastructure development is critical for economic growth. As a means to an end, infrastructure improves productivity, competitiveness and the well-being of citizens. It is a game changer in several contexts and the main source of jobs in this challenging time. It is estimated that \$1 billion invested in infrastructure could create some 26,000 jobs in the Gulf Cooperation Council countries.

The international community has launched several initiatives to address the infrastructure-financing gap, which is estimated to reach \$70 trillion by 2030 and increase further due to rising population growth, an increased middle class and rapid urbanisation. Recently, as part of the global effort to identify financial tools to deliver and implement the Sustainable Development Goals (SDGs), the new United Nations Global Infrastructure Forum was established at the third UN Conference for Financing for Development in July 2015. It identifies and addresses infrastructure gaps, highlights opportunities for investment and cooperation, and works to ensure that projects are environmentally, socially and economically sustainable.

At the Islamic Development Bank (IDB), we have, over the years, established three dedicated infrastructure funds with investors in the funds drawn from member countries and international development institutions. The funds are the IDB Infrastructure Fund LP, launched in 2001, the IDB Infrastructure Fund II, established in 2014, and the joint IDB and Asian Development Bank Islamic Infrastructure Fund, which was launched in 2009 with a target size of \$500 million.

All these initiatives reflect how infrastructure financing has taken centre stage in international and regional discourse and programmes. The sector is beyond

the means of any single country to finance alone, and so it needs global efforts and support – especially at a time when most developing countries are constrained by limited resources due to the global financial crisis, a new world order that places stringent regulation and supervision on banks, and the need to balance and address competing socio-economic challenges.

To this end, public-private partnerships (PPPs) offer an innovative and complementary solution to tackling infrastructure investment deficits. This model has gained traction worldwide because it crowds in private resources and brings in new management capability and innovation to support infrastructure development. The critical success factors for PPPs vary from one country to another, but the most common are political and macroeconomic stability, transparency, risk-sharing appetite between the parties involved in PPPs, a good and attractive investment climate, and respect for rule of law, to name but a few.

## Collaborating with development banks

In order to support PPP activities in its members, the IDB established the dedicated PPP Division in its Infrastructure Department in 2009. Its portfolio of infrastructure financing has gradually shifted to PPP financing. In addition to participating in financing PPP projects, the IDB has also collaborated with the World Bank Group and other multilateral development banks to establish the Financial Assistance Program to support PPP policy initiatives in the MENA region. The programme allows the development of PPP laws and transaction advisories for select countries in the region.

**The PPP solution has come of age. It is strongly favoured by the G20 as a way to create jobs and spur global growth**

To date, the IDB has been working with its members on the need to develop the following three critical areas in support of the PPP framework in their respective countries:

- A robust PPP strategy with a broad legal and regulatory framework, coordinated institutional setup and sound fiduciary system that addresses the risk perception of the private capital providers.
- Policy reform to address the challenges of subsidies, user charges, regulatory independence, fiscal incentives, implementation and enforcement capacities of regulatory agencies.
- Well-structured financial support for specific needs of the projects aligned with the interests of the stakeholders and providing adequate protection to long-term private risk capital.



ISTOCK IMAGES

The IDB is also working with its members to improve the prevailing environment for PPPs and support transactions through effective resource mobilisation from private capital markets. Among additional ongoing initiatives are the following:

- A periodic assessment and benchmarking of implementation measures to improve investor predictability, including the legal and regulatory framework for PPPs, contract enforcement and supervision, and sector regulation.
- Support for both the sell side (governments) and buy side (project sponsors) for project pipeline development and project preparation.
- The development of modalities to manage early-stage financing, a measure that forges any possible links between significant sources of external long-term capital and member countries.

### Building a dialogue platform

The IDB plans to establish a monitoring and evaluation system with a scoreboard for countries on their PPP-enabling environment that will assess investor predictability. It also plans to establish a monitoring and evaluation system that is transaction-wide to capture the implemented projects in the region and assess the success of the strategy. Through this system, we aim to build a dialogue platform to address the specific concerns of the public and private sectors, as well as the potential challenges and conflicts that may arise.

The platform will support and strengthen the regulatory and institutional reforms for implementing a robust framework, building a bridge between countries

An investment of \$1 billion in infrastructure could create 26,000 jobs in the Gulf Cooperation Council countries

and potential investors, and removing the information asymmetry between both sides. Planned activities will focus on providing technical assistance and building capacity in collaboration with local development partners to increase the ability for PPP project pipeline development. With the enhanced capacity, it will be significantly easier to develop financing and financial mechanisms that will align the interests of both governments and investors.

### The way forward

The PPP solution has come of age. It is strongly favoured by the G20 as a way to create jobs and spur global growth. The UN also considered it a financing tool for delivering on the SDGs, which have now replaced the Millennium Development Goals.

Given that both infrastructure development and private-sector development are two critical strategic pillars of the five-pillar new 10-Year Strategy Framework of the IDB Group, which was launched in mid 2015, the IDB Group will continue to participate in the G20 Investment and Infrastructure Working Group. It will share its experience and expertise, as well as benefit from new ideas and initiatives in mobilising financial resources using Islamic financial instruments to finance PPP projects in its members.

Therefore, the IDB Group calls on the G20 members and the multilateral development banks to work closely with the developing countries to facilitate the establishment of a common sustainable framework that can be used to assist them in creating an enabling regulatory, fiscal and policy environment to support the development of PPPs. The IDB Group stands ready to participate in this endeavour. ■

# Building stability into the system

— It is not a question of if, but when the next financial shock will happen, and it is crucial that policymakers ensure economies are equipped to cope, says **Christian Noyer, Chair, Board of Directors, Bank for International Settlements**



Christian Noyer has been Chair of the Board of Directors of the Bank for International Settlements (BIS) since 2010, and Governor of the Banque de France since 2003. From 1980-82, he was Financial Attaché to the French delegation to the European Union. Appointed Director of the French Treasury in 1993, he was an adviser to Édouard Balladur, Minister of Finance, in 1986-88, and, later, Chief of Staff for two other finance ministers. He was Vice-President of the European Central Bank from 1998-2002.

[www.bis.org](http://www.bis.org)

Commemorating the emperor's visit in AD 130, Antalya's Arch of Hadrian has endured for the best part of two millennia. Hadrian, one may say, was a master in the arts of political, social and even price stability. And, even if his methods for attaining these ends might not win whole-hearted approval, his accession did usher in more than half a century of relative peace and prosperity.

Today's policymakers might ask themselves if they are on track to match this record. Seven years after the collapse of Lehman Brothers, much has been done to strengthen the banking system. With the crucial support of the G20, regulations have been overhauled and tightened, as have capital, liquidity and funding requirements. This has no doubt strengthened banks, making them better able to withstand the next financial shock.

For the next financial shock will undoubtedly happen. Yet, even if important efforts are in train to reduce its likelihood and severity, it is more difficult to point to progress in preventing it than in preparing banks to withstand it.

In dealing with the underlying causes of financial instability, policymakers confront several challenges. The first is, quite simply, that the understanding of those causes is still incomplete. The second is that the factors that create vulnerability to financial shocks may go beyond the formal financial sector.

Ultra-low interest rates are a case in point. As a legacy of the previous financial crisis, policy rates have been kept low in the advanced economies with a view to shoring up the real economy and restoring price stability. Like any medicine, however, the low-rate treatment is not without its side effects, and may create an unhealthy dependence.

Chief among the side effects, of course, is the risk of inflating another bubble. Low rates may encourage the misallocation of resources. And the search for yield drives investors into riskier assets: in the investment portfolios of North American and European life insurers and pension funds, for example, the share of bonds rated below a single A has risen from about one fifth to almost one third between 2007 and 2013.

But this is not all. By eroding investment returns, including the returns on offer at pension funds and life insurance companies, low interest rates may, paradoxically, induce households to save more and spend less. At the same time, corporate pension fund deficits, like a debt overhang, may deter sponsor companies from making new investments. In this way, low rates may actually erode rather than enhance the economy's long-term growth potential.

## Effects beyond the financial sector

In addition, financial booms may undermine productivity growth long after a boom has ended – perhaps, as research produced by the Bank for International Settlements suggests, by as much as 0.4 percentage points per year in the advanced economies since 2008. The intuition behind this finding is straightforward – after a banking-driven real estate meltdown, idle cranes and laid-off construction workers cannot easily redeploy into other industries.

If both the causes and effects of financial instability go well beyond the financial sector, it follows that efforts to build stability must do so too. A coordinated policy approach would address financial booms and busts through a combination of monetary, fiscal and prudential measures.

As part of a coordinated financial stability programme, fiscal policy would be countercyclical, ensuring that sufficient room for manoeuvre is preserved for busts. This means, first and foremost, that long-term sustainability is ensured. During a bust, that fiscal space would be used to speed up private-sector balance sheet repair, should private-sector backstops prove insufficient.

Prudential policy would also tackle procyclicality head on. The Basel III international regulatory framework does indeed move in that direction with its countercyclical capital buffer, as does the implementation of full-fledged macroprudential frameworks in various national jurisdictions. These deploy instruments such as maximum loan-to-value or debt-to-income ratios, or capital and provisioning requirements, to strengthen financial system resilience and, ideally, to dampen financial booms.

Yet, gaps remain. One is how to reduce the risks posed by the rapid growth of non-bank financial intermediaries. Work is under way, although far from complete, on risks in the shadow banking system. And attention has recently turned to the asset management industry, where the collective behaviour of firms might amplify financial shocks in a leverage-like manner.

A second gap is how best to deal with sovereign risk, given that sovereign risks have historically often been

at the root of bank failures. The right approach needs to be systematic and comprehensive, addressing various types of exposure. The work of the Basel Committee on Banking Supervision in this area should be pursued without delay or hesitation.

For their part, monetary policymakers, if and when addressing financial stability concerns, should do it more symmetrically over the boom-to-bust cycle. This means, concretely, that policy frameworks should allow scope for tightening during financial booms, even if

## Financial booms may undermine productivity growth long after a boom has ended

near-term inflation is low and stable, and for easing less aggressively and persistently during busts.

Arguably, some current frameworks already provide central banks with sufficient flexibility. On balance, then, the priority should be to use the existing room for manoeuvre, and to encourage analytical frameworks that highlight the cost of

The G20 has been instrumental in strengthening the banking system since the global financial crisis

failing to incorporate financial stability considerations into monetary policy frameworks.

Even on a purely domestic basis, a joined-up policy approach to financial stability would be a step forward. It would greatly reduce spillovers to the rest of the world. But there is a need to go further. The imperative for cross-border coordination has long been recognised in the case of prudential standards for the financial industry, a journey that continues under the aegis of the Basel Committee and the Financial Stability Board.

### Beyond the national sphere

By contrast, such recognition has been much less forthcoming for the monetary elements of the system, at least in normal times. One factor standing in the way of cooperation is policy mandates that are limited to the national sphere. This is a blind spot in the international monetary and financial system.

How far might international policy cooperation realistically go? National policymakers, of course, are guided by their domestic mandates. But one can also envisage supportive action among central banks based on enlightened self-interest, rooted in a thorough exchange of information. This would mean taking cross-border spillovers more systematically into account when setting national policy. ■



# Active management key to generate value in European Fixed Income



**Tanguy Le Saout**  
Head of European Fixed Income

## Mr Le Saout, in your view what are the key trends for European Fixed Income in the next few years?

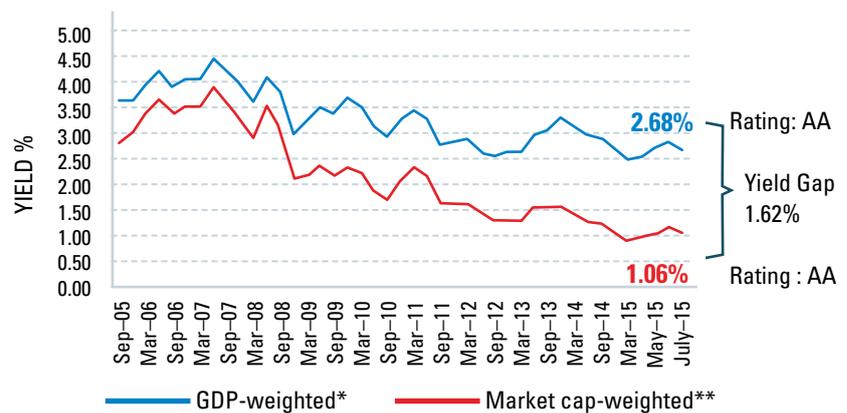
At Pioneer Investments, we believe that being able to deal with scarce market liquidity, redesigning benchmarks in a more effective way and extracting alpha in a world of ultra-low interest rates will be the key drivers to successfully navigating Fixed Income Markets over the next few years.

## Can you tell us why the subject of bond market liquidity has become so important?

There has been considerable debate recently about liquidity conditions in bond markets. Many market participants feel that increased regulation of financial institutions (particularly banks) in the aftermath of the global financial crisis, and the need to hold higher levels of capital, have made it unattractive for such institutions to act as market-makers, or providers of liquidity. We at Pioneer Investments would concur with this thesis, although the extent of the deterioration in bond market liquidity is open to debate. But, in our view, one point is irrefutable – derivative markets now offer much more liquidity than the traditional cash markets. So while derivatives have often been portrayed as a cause for concern, today we believe they are the reason that markets

1. Bloomberg on IMF data (PPP GDP), as of 30 September 2015

GDP-weighted approach delivered more yield without increasing credit risk



Source: Pioneer Investments, Bloomberg and BofAML as at 30 July 2015. \*GDP-weighted based on JPM Customised Global GDP Weighted Index Basket, which has been back tested to 2005 by JP Morgan. \*\*BofA ML Global Government Bond Index. Ratings given are as rated by Moody's Investor Service, the Standard & Poor's or Fitch's as applicable. Past performance is no guarantee of future results.

are still able to function efficiently. A core competency in derivative usage is likely to be one of the key factors in successful investment management in coming years.

## What can be a more effective approach to benchmark construction?

Historically, global government bond investors have had little choice but to benchmark themselves against market capitalisation-weighted indexes. These indices, however, are no longer necessarily representative of the global economy and concentrate risk in a handful of low-yielding, highly indebted sovereign issuers. Global government bond indexes have conspicuously failed to keep step with the shifting patterns in world trade and GDP distribution. Although the United States saw its share of world GDP fall from 21% in 2000 to 16% in 2014<sup>1</sup>, it still accounted for close to 33% of the Citi World Government Bond Index (WGBI) as of May 2015. Japan, meanwhile, accounted for 4.4% of world GDP in 2014, compared with 7% in 2000. Its share of the WGBI, however, was 22% in May 2015. Pioneer Investments believes that by increasing their allocations to GDP-weighted strategies, fixed income

investors may potentially generate enhanced yield without incurring added risk.

## Finally, why has the concept of alpha vs beta become more significant in current market conditions?

When bond markets are delivering returns of 8-10%, generating alpha (or excess returns) of 1.5-2% can be seen as a luxury, a 'nice-to-have, but not absolutely necessary' factor. However, when bond markets are delivering 0% or even negative returns, then we believe delivering alpha of 1.5-2% becomes a 'must-have' for investors who desire to achieve positive returns on their fixed income portfolios. As interest rates and bond yields rise from historically low levels, investors will seek to protect their portfolios from the associated price declines. Those investors will look to absolute return strategies to generate those returns that in the past were obtained from the 'beta' or benchmark component of their portfolios. At Pioneer Investments, we believe that the successful and repeatable generation of alpha, in a risk-managed manner, will become increasingly appreciated by investors over coming quarters.

**Alpha** – Measures risk-adjusted performance, representing excess return relative to the return of the benchmark.  
**Beta** – A statistical measurement of an investment's sensitivity to market movements in relation to an index. A beta of 1 indicates that the security's price will move with the market. Betas of less than 1 or greater than 1 indicate that the security will be less volatile or more volatile than the market, respectively.

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## Fixed income Active thinking

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# Should we be optimistic about China's economy?

— As it prepares to host the G20 summit in 2016, China is taking action to build on economic progress made during the Turkish presidency, explains **Wang Yong, Director, Centre for International Political Economy Research, Peking University**



Wang Yong is Professor of International Studies and Director of the Centre for International Political Economy Research at Peking University. He is also Visiting Chevalier Chair Professor at the Institute of Asian Research, University of British Columbia.

**T**urmoil in the stock market and the depreciation of the renminbi have recently raised concerns about the impact of the Chinese economy on the global economy. Some observers are pessimistic about the future of China's economy; others are optimistic. One argument is that China has adopted a new growth strategy, compared with the strategies of 40 years ago – 'Reform and Opening Up 2.0'. Aimed at dealing with the challenges of the slowdown and structural transformation of China's economy, this new strategy is ushering in substantial measures to open the Chinese market up to more foreign investment and push for bolder steps by Chinese investors overseas. There are thus reasons to be optimistic about the Chinese economy.

Since 2013, China's leadership has engaged in a new experiment: the Shanghai pilot free trade zone. It is not only about free trade liberalisation, but also involves relaxing regulations on trade in services and capital controls, increasing the convertibility of the renminbi and improving the standard of intellectual property rights and trade facilitation. Some measures streamlining government structure and procedures have also been adopted. In March 2015, the State Council established further pilot free trade zones in Tianjin, Guangdong and Fujian. These pilot free zones will definitely help China to be more open to foreign investment.

The Chinese Government has moved towards a new, more proactive trade policy, particularly since President Xi Jinping and Premier Li Keqiang came to power, in 2013. The core principle of this policy seems very clear: China should not just be a 'rule taker';

rather, the country should be a 'rule maker', playing a leadership role in the emerging regional and global trade order. In particular, China should not stay outside – and be marginalised by – mega-regional free trade agreements (FTAs).

Since the new leadership was sworn in, the Chinese Government has seriously considered applying for membership in the negotiations of the Trans-Pacific Partnership (TPP). At present, the leaders have decided not to join, but China may choose to be part of it in the future, especially when its state-owned enterprises (SOEs) are ready.

## A new growth strategy

China has also eagerly sought to be included in the negotiation of new generation rules, especially the New Trade in Services Agreement. This can be explained by its concern about being marginalised in the development of new rules and enthusiastic demand for the development of its services economy.

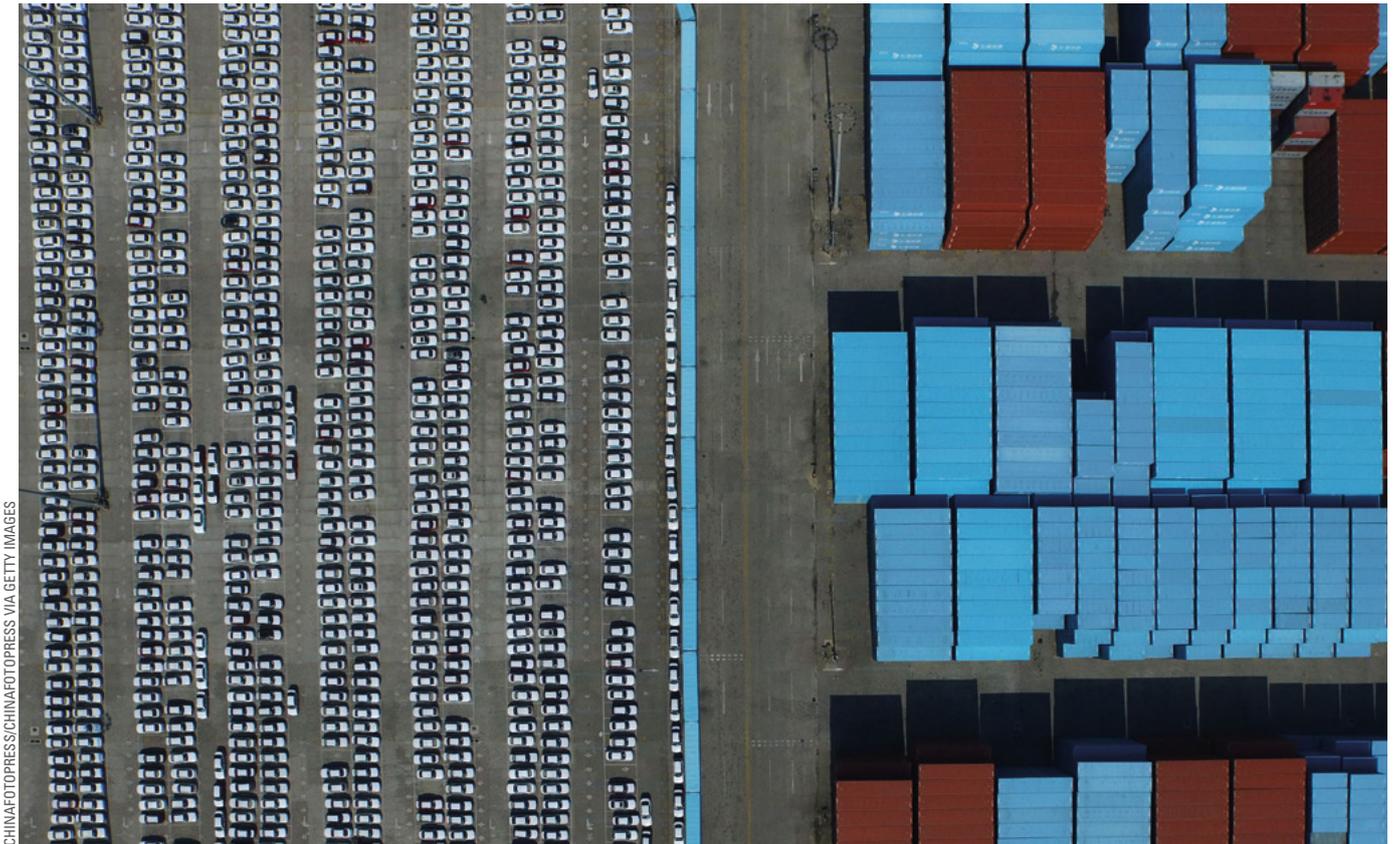
Stimulated by the TPP and other mega-regional FTAs, the Chinese Government has raised the quality of trade liberalisation agreements with Switzerland in 2014 and with Korea and Australia in 2015. It has also pushed forward with upgrading its FTA with the Association of Southeast Asian Nations (ASEAN) and has received positive feedback from ASEAN countries. In addition, China is determined to speed up Regional Comprehensive Economic Partnership (RCEP) talks, and has set the target of concluding negotiations by the end of 2015.

It also succeeded in sponsoring the Free Trade Area of the Asia-Pacific (FTAAP) among Asia-Pacific Economic Cooperation (APEC) members during the APEC Economic Leaders' Meeting in Beijing in November 2014. China and other countries expect the FTAAP to become the umbrella under which the rules of the TPP and RCEP will be negotiated, and ensure the integrity of the regional trade order in the Asia-Pacific region.

More importantly, China is making deals with the world's major economies, particularly the United States, the European Union and Japan, which will help reduce or diversify the risks of geopolitical competition. Talks on the Bilateral Investment Treaty (BIT) with the US have made important progress, and China is also enthusiastic about its BIT with the EU. It has decided to speed up talks with Japan and Korea on a trilateral FTA. These moves are based on the principles of more open market access and, when combined, will push the global economy to be more stable and open.

## AIIB and the 'One Belt, One Road' initiative

In October 2013, President Xi launched the New Silk Road economic cooperation initiative. Comprising the new Silk Road Economic Belt and the 21st Century Maritime Silk Road, it is also known as the 'Belt and Road' initiative. Accordingly, the Chinese Government established the \$40 billion Silk Road Fund in 2014. The Chinese leader also urged the establishment of the Asian Infrastructure Investment Bank (AIIB) to help developing countries in Asia finance their badly needed infrastructure projects.



CHINA FOTOPRESS/SCHINA FOTOPRESS VIA GETTY IMAGES

The AIIB has received positive feedback from Asian developing economies, which clearly expect to benefit from these funds. All 10 ASEAN members signed the AIIB's memorandum of understanding in March 2015, and the United Kingdom and other EU countries applied for status as founding members. The AIIB is scheduled to be in operation by 2016.

The AIIB and the Belt and Road initiative are expected to alleviate the pressure of overcapacity and excessive foreign reserves, boosting the Chinese economy's 'new normal'. On the other hand, these new initiatives may help China to push forward

## The Reform and Opening Up 2.0 strategy has helped make China's trade and economic regime more open

higher-standard FTAs with those countries located along the ancient Silk Road that are enthusiastic to participate in China's new cooperation initiatives. World Trade Organization rules, or those like them, could apply in different forms to the cooperation between China and its partners along the Silk Road.

Given this new growth strategy, there are good reasons to be optimistic about the Chinese economy. Despite the economic slowdown, China remains the main engine of global economic growth. Its contribution to that growth remains around 30%.

China's new growth strategy has seen the creation of several trade partnerships and experiments, including new models of free trade zones

The Reform and Opening Up 2.0 strategy has helped make China's trade and economic regime more open, and started to generate more stable demand in the Chinese economy. According to the latest report by the United Nations Conference on Trade and Development, China became the world's largest recipient of foreign direct investment in 2014, valued at \$120 billion, surpassing the US.

However, the Belt and Road initiative has promoted outbound investment by Chinese companies and boosted trade among the countries along the route. In the first eight months of 2015, China increased investment by nearly 50%, to \$10.7 billion, while the number of the newly established enterprises in China by the Belt and Road countries jumped by 54.4%. With the implementation of more cooperative deals linking China's Belt and Road initiative and similar investment and trade initiatives of the EU, the Shanghai Cooperation Organisation and the Eurasian Economic Union, the potential for development and growth in Asian and European countries will be tapped, boosting both the Chinese and the global economy.

As the host of the G20 presidency in 2016, China is expected to keep working with other major economies, based on the progress made by the Turkish G20 presidency, to realise the objective of strong, stable and sustainable growth and, at the same time, carry forward reforms of international economic institutions necessary to reflect the new reality of the global economy. Obviously, there is good reason to have high expectations for China's year as G20 host. ■



# Financing development projects and creating employment opportunities



**T**he Islamic Corporation for the Development of the Private Sector (ICD) is a multilateral development financial institution and a subsidiary of the Islamic Development Bank (IDB) Group. Established in 1999, ICD currently has an authorised capital of \$4 billion and a membership of 52 countries. ICD supports the economic development of its member countries through the provision of finance for private sector projects as well as advisory services to governments and businesses.

Currently, the shareholders of ICD are the IDB, 52 Islamic countries and five public financial institutions. In 2014, Fitch rated ICD AA/F1+ with a stable outlook, and in 2015, Moody's assigned Aa3/P-1 rating to ICD with a stable outlook.

## Mandate and objectives

The mandate of ICD is to complement the role played by IDB and national financing institutions of member countries. This is achieved through the provision of Islamic financial services and products to private sector projects in accordance with the principles of Shari'a. ICD's mandate also includes promoting competition and entrepreneurship in member countries, and encouraging cross-border investments. In addition, ICD provides consultancy services to governments and private sector institutions in order to encourage the establishment, expansion and modernisation of private sector enterprises,

the development of capital markets, the adoption of best management practices and the enhancement of the role of the market economy.

ICD's primary focus is the financing of developmental projects that contribute to the creation of employment opportunities and the encouragement of exports. To achieve these objectives, ICD creates and develops collaborative partnerships to arrange co-financing and syndicated financing services.

## ICD's strategic orientation

ICD activities are centred on the development of what is called 'Islamic Finance Channels', designed to widen the reach of Islamic financial products and services with the objective of contributing significantly to the developmental goals of member countries. This will be achieved substantially through the setting up of Islamic banks, investment and ijarah companies, takaful and re-takaful companies in member countries. ICD is pioneering many aspects of Islamic finance and sees its role as being a powerful vehicle for economic and social growth, and overall prosperity.

## ICD products and services

### 1. Long and short-term financing.

ICD finances private sector entities and Greenfield or expansion projects directly through equity participation, the purchase of assignable bonds and

term financing. ICD also extends short-term finance to cover working capital and/or raw materials requirements of private sector entities through murabaha or purchase and leaseback. ICD can also play a role in mobilising resources for financing a project through co-financing or syndication.

### 2. Developing Islamic financial institutions and extending lines of finance.

ICD strives to nurture and empower identified channel partners by setting up or aiding existing development banks in driving development and growth in the Islamic world. This vertically leverages two key instruments in order to extend financial aid: institutional equities and lines of finance.

### 3. Advisory Services and Asset Management.

ICD provides a wide variety of advisory services to governments, public entities and private entities of member countries with the aim of creating the ideal environment for private sector investment and also assisting companies in achieving their potential. Services include project finance advisory, assessing the business environment of member countries, raising funds through the issue of sukuk, developing Islamic capital markets and encouraging the development of a conducive business environment for SMEs in member countries.

# Enabling Enterprise Building Prosperity

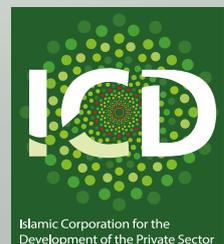
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# Cause for reflection

— The Financial Stability Board's formal progress report on both regulatory reforms and the effects of those reforms will provide a clear summary of the future support needed from G20 ministers, explains Lida Preyma, Director, Capital Markets Research, Global Finance



Lida Preyma is Director of Capital Markets Research, Global Finance, at the G20 Research Group as well as Director of Global AML Compliance and AMLRO Designate (Toronto) for BMO Capital Markets. She has held various positions in the financial services industry, including Head of Global DMA at Jitneytrade Inc, and Director of Business Development and Marketing at the Canadian National Stock Exchange (CNSX) and Pure Trading. She is also a member of the board for Invest Toronto and Chair of its Audit and Risk Management Committee.

@lidapreyma

www.preymareport.com

Implementation: it is one of Turkey's three 'I's for the Antalya Summit. Summits have been known for their lengthy communiqués and their commitments in the hundreds. Every host government hopes that the decisions made at its summit will be implemented. Turkey, however, has decided to put implementation front and centre.

This year, for the first time, the Financial Stability Board (FSB) will present a formal report on the progress that has been made on financial reforms at the Antalya Summit. The report will not only address the regulatory reforms implemented to date, but will also look at the effects of the reforms and – more importantly – any spillover effects and unintended consequences that need to be addressed.

It has been six years since the London Summit in April 2009, where many commitments were made to strengthen the financial system in order to prevent a recurrence of the crisis that rippled all over the globe. At London, the G20 tasked the FSB with a stronger mandate than its predecessor, the Financial Stability Forum. The FSB's mandate is to work with other international organisations including the International Monetary Fund (IMF) and the Basel Committee on Banking Supervision

to ensure that the commitments made in the G20 Global Plan for Recovery and Reform were realised.

The goal of this broader mandate was to produce and implement strong, internationally harmonised financial regulations and supervision in order to restore trust and avoid the use of taxpayer funds to bail out financial institutions. As the FSB includes all G20 members, it represents the views of the emerging



markets as well. If harmonised global regulation is the goal, emerging markets need to be included in order for the organisation to look holistically at reform implementation and any spillover effects from the developed countries.

## Collaboration and consultation

Since 2009, the FSB has created a collaborative approach to rule-making and guidance. It has partnered with relevant industry associations and international bodies to work with subject-matter experts. It has also repeatedly consulted industry before finalising recommendations. This inclusiveness allows for stakeholder buy-in because participation has been incorporated from the beginning. When industry has a voice at the table, realistic regulation is formulated and implementation becomes less difficult as a result.

With most of the regulatory work completed, the FSB is concentrating on concluding the last of the core elements of financial reform. The first is ending the concept of institutions that are too big to fail. For global systemically important financial institutions that are banks, the FSB is aiming to finalise the standard for total loss absorbing capacity by the Antalya Summit. For those that are not banks, such as asset management companies, further steps towards international standards are forthcoming.

Over the last year, two consultations were undertaken on a methodology for identifying global non-bank non-insurers that are systemically important. Activities-based policy recommendations will come in spring 2016. Those recommendations must consider the creation of new standards and bodies such as central counterparties (CCPs) to ensure they too are not too big to fail. CCPs are currently being evaluated for resiliency capabilities and interconnectivity with the wider market.



ANTHONY DEVLIN/PA WIRE

For the over-the-counter (OTC) derivatives market, a work plan is underway in conjunction with the Committee on Payments and Market Infrastructure and the International Organization of Securities Commissions to standardise and aggregate trade data. The too-big-to-fail concept and OTC derivatives are complex in nature and once the work on both is complete, the result will be stable and transparent financial markets.

### Different rates of progress

How would the scorecard fare for the private sector? Implementation of standards has been uneven and typically on differing schedules. The Dodd-Frank Wall Street Reform and Consumer Protection Act was signed into law in 2010 in the United States, and it took until 2014 for the European Union's Directive on Markets in Financial Instruments II to be published. Although regulators in all major financial centres have adopted the

US President Barack Obama gives a speech at the G20 summit in London, in April 2009. The summit tasked the Financial Stability Board with ensuring the commitments made in the G20 Global Plan for Recovery and Reform were realised

jurisdictions results in high costs of compliance to the private sector. These costs incorporate actual capital outlay as well as the soft cost of forgone new product innovation for clients and capital available for expansion or lending.

Actual costs include technology implementation required, remediation efforts and the additional staff hours required to implement new regulation and then support compliance on an ongoing basis. Large firms can easily realise economies of scale for the outlay of these typically large sums of capital. Small businesses do not have the same advantage and increasingly use a greater proportion of their revenue for compliance costs.

The cost of non-compliance can be even greater. There are legal, operational and reputational risks that present themselves when institutions run afoul of the regulators. Heavy fines are often levied and, at worst, firms could lose their licences. With redirected capital and reduced product innovation, the global economy may slow down further as funds are rerouted to government coffers.

All these regulations have been individually implemented with the best intentions. Yet, a truly holistic perspective is impossible with so many complexities within the same industry and just as many organisations working on solutions. These regulations may indeed enhance trust – but at a significant cost to the global economy if there is no contemplation of their combined impact. Companies need a little breathing room.

The FSB's annual report will go far to solving this fragmented approach to regulatory adoption. It will look at the unintended consequences that will inevitably become clear as time moves on. G20 leaders must heed the summation of where support from them and their ministers is needed in order to achieve the full benefit of policies agreed to in the past. ■

## Legal, operational and reputational risks present themselves when institutions run afoul of the regulators

regulatory framework, not all rules were promulgated in concert, resulting in differing standards across jurisdictions. Moreover, even among jurisdictions with a high commitment to regulatory reform, resource constraints at the regulatory level may result in conflicting timelines and enforcement capabilities.

The sheer magnitude of regulatory reform in the past few years along with the divergence across

# Progress for women means progress for all

— Addressing the gender balance in all sectors will deliver significant economic gains and go a long way towards achieving the post-2015 development agenda, says **Helen Clark, UNDP Administrator and Chair of the UN Development Group**



Helen Clark became the Administrator of the United Nations Development Programme in 2009. She is also the Chair of the United Nations Development Group, a committee consisting of the heads of all UN funds, programmes and departments working on development issues. Prior to her appointment with the UNDP, she served three successive terms from 1999 to 2008 as Prime Minister of New Zealand. Before being elected to New Zealand's Parliament in 1981, she taught in the Political Studies Department of the University of Auckland.

@HelenClarkUNDP

www.undp.org

In September 2015, world leaders launched the new global development agenda encompassing the Sustainable Development Goals (SDGs). In December, at the 21st Conference of the Parties to the United Nations Framework Convention on Climate Change in Paris, a new international climate agreement is expected to be reached. These agreements offer a once-in-a-generation opportunity to achieve the sustainable and inclusive development that people everywhere seek. Gender equality and women's empowerment must be priorities in these agendas.

Despite notable progress in some areas, gender inequality remains a major impediment to the advancement of women and to development. While the number of women in paid employment has increased, women remain disproportionately represented in vulnerable employment. Women's wages continue, on average, to be between 4% and 36% lower than men's. Overall, women are less likely than men to have access to decent work, assets and formal credit. And women comprise just 22% of the world's parliamentarians.

Countries have made many commitments to gender equality, from the time of agreement to the provisions of the UN Charter, the Universal Declaration of

Human Rights, the Convention on the Elimination of All Forms of Discrimination Against Women and the Beijing Declaration and Platform for Action, right through to the Millennium Declaration. Their commitments are reiterated in the 2030 Agenda for Global Action, which

sets out the new SDGs. The challenge now is to turn words into action with and for women.

There is now widespread recognition that gender equality is both a matter of human rights and a catalyst for growth and development. Studies show that children born to women with some formal education are more likely to survive to their fifth birthday, receive adequate nutrition, and be immunised and enrolled in school. Access to sexual and reproductive health services enables women to plan their families and expand their opportunities, and it also helps reduce both maternal and child mortality.

## Steps towards equality

Empowering women helps drive economic growth, making investing in gender equality important to the G20 agenda. At the G20 summit in Brisbane in 2014, leaders rightly agreed on "the goal of reducing the gap in participation rates between men and women in our countries by 25% by 2025, taking into account national circumstances, to bring more than 100 million women into the labour force, significantly increase global growth and reduce poverty and inequality". This is an important step.

Reducing gender inequality in a major sector such as agriculture is vital for enhancing economic growth, food security, and the well-being of families and communities. According to a report by the Food and Agriculture Organization, while women supply nearly half of global agricultural labour, they do not reap the same rewards as their male counterparts. The report contends that if women had the same access to productive resources as men, they could increase yields on their farms by 20-30%. That could

## Empowering women helps drive economic growth, making investing in gender equality important to the G20 agenda

raise total agricultural output in developing countries by 2.5-4% per annum, and reduce the number of hungry people in the world by 12-17%.

The need to level the playing field for women farmers is recognised in SDG 2 on ending hunger, which includes the target of doubling by 2030 the agricultural productivity and incomes of small-scale food producers, namely women, through equal access to land, and to resources such as financial services and markets. Under the leadership of the Turkish presidency, G20 members are about to adopt the Action Plan on Food Security and Sustainable Food Systems, through which they will support food system employment and entrepreneurial opportunities, in particular for smallholders including women and youth.



ERHALDO PERES/PRESS ASSOCIATION IMAGES

In many places, women bear the primary responsibility for growing food, managing natural resources and securing the energy needs of their families. The new climate agreement must respond to and support the central role of women in building climate resilience and supporting low-emission development. Because women are so often on the frontlines of climate change and disasters, their full participation in global policymaking and implementation, including in the new Paris accord, is vital for action on climate change.

The United Nations Development Programme (UNDP) makes achieving gender equality a central focus of its efforts to eradicate poverty. Our work

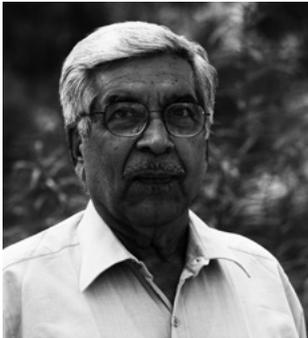
Women take part in Brazil's annual March of the Daisies, which supports the rights of agricultural workers. Levelling the playing field for female workers is a need recognised in SDG 2 on ending hunger

includes preventing and responding to sexual and gender-based violence, which persists everywhere. It includes providing support for gender-responsive economic policymaking and women's participation in decision-making, including for peacemaking and peace building. This focus is reinforced by SDG 16, which aims to promote peaceful and inclusive societies for sustainable development, including by ensuring responsive, inclusive, participatory and representative decision-making at all levels.

There is no silver bullet for achieving sustainable development, but investing in gender equality is certainly a critical component of our efforts to build a more inclusive, sustainable and resilient world. ■

# India's priorities for the G20 summit

— Yoginder K Alagh, former Minister of Power, Planning, Science and Technology, India, and Chancellor, Central University of Gujarat, explains the country's priorities and participation in pursuit of sustainable development goals



Yoginder K Alagh is Chancellor of the Central University of Gujarat and Professor Emeritus and Vice Chair of the Sardar Patel Institute of Economic and Social Research in Ahmedabad. From 1996 to 1998, he was the Minister of State (Independent Charge) for Planning and Programme Implementation, Science, Technology and Power and, until 2001, a member of the Rajya Sabha. He has previously served as Vice Chancellor of Jawaharlal Nehru University, a member of the Planning Commission, Chair of BICP (Bureau of Industrial Costs and Prices), Secretary to the Government and Chairman of APC.

In the 1980s, unnoticed in the world, India started growing quickly. Many of its inherited institutions went through the inevitable changes that rapid growth requires. These experiences conditioned its responses in global forums. In investment, finance, trade, agriculture, and energy and other renewable resources, India's development experience defined its position on global issues. India participated fully in earlier global debates: poverty is the biggest polluter, as Indira Gandhi said at the United Nations Stockholm conference in 1972; the 1975 conference of the UN Industrial Development Organization at Lima set the goal of 25% of global industry to be in the developing world by 2000; and India played a role in the conference on population and development at Bucharest in 1974. By the end of the 1980s, India had been reinvented, which underlined its attitude by the time the G20 arrived. Rajiv Gandhi would lay down the new vision: India would pursue its goals through "concentric circles of influence".

For 2015, India has declared that it will follow the sustainable development agenda of the G20 summit in the historic and beautiful town of Antalya. Given the slow global growth since 2012, with its export demand shrinking thanks in part to its relatively improved growth with

low inflation, India has an important macroeconomic agenda, with three objectives. The first is stability for reform. The second is improving the global and national architecture to deepen financial markets for inclusive growth. The third is to link the first two objectives with trade policy. Its phased process of reform, ending with complete capital account convertibility, must be protected from the wild swings of global financial markets, particularly evident after the East Asian meltdown and now China's slowdown. Former

European Central Bank governor Jean-Claude Trichet recounted in 2007 how, under India's presidency of the finance G20 in 2002, "for the first time, the international community through the G20 endorsed the idea of the voluntary 'Principles' for prevention and solution of sovereign crises, which I had myself suggested when it appeared that the 'SDRM' [Sovereign Debt Restructuring Mechanism] was not workable".

Since then, India has chaired the process for transparency in global financial flows – especially important as recent events involving Indian scammers show. As a proportion of gross domestic product, the illegal economy is probably not as high in India as in other countries and is most certainly lower than in authoritarian regimes. But the country is a very raucous open parliamentary democracy, in permanent rebellion conditioned by its freedom of movement. Corruption has always been a handle for beating whichever party is in power. India will very likely press for reforms needed to fight cross-border economic illegal activities, an important issue on the G20 agenda since the 2010 Seoul Summit and one in which India has played a role in the past.

## India's energy concerns

Under the Turkish presidency, G20 leaders decided to hold a ministerial meeting for energy ministers, because it is relatively easy to make energy for all a serious proposition. India's recent closeness with Israel has placed some strain on its traditional petroleum supplies. Iran has also decided to go slow on its oil supply commitments after India voted against it in the International Atomic Energy Agency. India has recently made overtures to Saudi Arabia and the United Arab Emirates. It will take an active interest in the G20

**Given today's global challenges, soft power and civil society engagement are as important as soft power to 'win the peace'**

initiatives in view of its long-term self-interest. It will also pursue the completion of the nuclear fuel cycle as a long-term goal. At Antalya India will continue to develop its new stance on nuclear power.

It is factually incorrect to argue that India's policies in the 1980s were designed to establish a cosy relationship between the capitalists and the establishment. In fact, the broadly based relationship was supported by a paradigm to support India's stance within institutions such as the G20. India's proactive position on its Comprehensive Economic Partnership Agreement with Canada, for example, is built on trade, investment and the free flow of resources as well as on technological cooperation. This stance informed



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its interventions in the G20 and also the World Trade Organization (WTO) and recommendations acted upon at the Monterrey Conference and later. A major problem for India has been the harmonisation of financial rules with the development process.

With regard to energy, water and sustainable development, India has demonstrated technical skills and experience and the ability to think dynamically, since growth produces change. It integrates knowledge-based initiatives, science and technology, and business into its goals. Given today's global challenges, soft power and civil society engagement are as important as hard power to 'win the peace'. At the G20 India constantly reinvents the art of following its own interests and championing the growth lobby of the poor as two sides of the same coin.

When India participated in the G8 meetings between 2005 and 2008, it was concerned with stabilising its growth process and the Doha Development Agenda. It was one of two economies growing at a rate of at least 7% in 2009/10 and at 8% in 2010/11. Its growth has moderated since then, but it remains among the fastest growing economies. The process is fragile, however. India's strategy was based on measured and flexible responses to global shocks with an emphasis on factor productivity and investment in infrastructure. It is no accident that the finance minister Arun Jaitley says that attempts to coordinate

Wind power generation near one of the royal cenotaphs in Jaisalmer, India. Energy supply challenges are one of the many drivers for technological research and development in the country

current account deficits are important and competitive devaluations must be avoided. Raghuram Rajan, Governor of the Reserve Bank of India, has often raised this as an objective.

India's current agricultural growth rate of a little over 3% cannot sustain a high level of economic growth. The spurt in food demand to be expected at its income levels – now above \$3,000 per capita in purchasing parity power terms – combined with the limited success of its water management programmes, hostility from globally networked non-governmental organisations to new seeds and pesticides, and land shortages now confronting the country have all made the problem of the agriculture growth rate more urgent. India faces food inflation. It increasingly requires both grain and non-grain food and agriculture. Its agricultural demands are growing faster than any measured high agricultural growth rate anywhere over any period of time.

It is a big importer of pulses and edible oils. While most countries are mildly protectionist in periods of stimulus in order to protect domestic jobs and output, India slashed tariffs and subsidised agricultural imports. It is clearly in its interest that the rich countries and others from which it imports do not follow distortionary policies. Economists have argued for low tariffs on agricultural imports to protect agricultural incomes and for incentives for domestic production, but the government's concerns with food inflation in the country's roaring economy do not permit such nuanced policies.

### Negotiations needed

On agriculture, India can be expected to pitch for reforming the global system. The emphasis on energy and food security at the 2015 BRICS summit at Ufa is not just rhetoric. These will remain India's concerns at the G20 table. India will push the stance it has developed, since the Cancún and Doha WTO meetings and more recently. It will increasingly agree to non-tariff interventions in the negotiation basket, such as limits on the interventions of its large parastatal bodies in domestic agricultural markets, as it was willing to do with the European Union's Special Committee on Agriculture. However, it will not likely change its stance on public support for developing infrastructure, including markets, communication and agro-processing investments and for developing agricultural technology. India is going through a renaissance in organising agriculture, agro-processing and rural infrastructure, with self-help groups, producer companies made up of farmers and cooperatives. Many develop strategic alliances with corporate and public agencies. The new strategies being developed by India's agricultural policymakers are largely in the public-private partnership mould, but these would nonetheless require hand holding by the state. Global negotiations will have to support these initiatives, which are considered important for widespread agricultural and rural development. India can be expected to mesh its growth and development concerns with enlightened rules of regional cooperation in Asia and with Asia elsewhere. ■

# How can the G20 fuel sustainable development?



**T**he use of open fires and traditional stoves for cooking is one of the world's most pressing health and environmental problems, directly impacting close to half the world's population. Inefficient cooking is a root cause of poverty, poor health, gender inequality and environmental degradation. It leads to more than four million premature deaths each year, contributes up to 25% of black carbon emissions and significant deforestation, and requires women and children to spend up to five hours a day collecting fuel.

It also has a huge economic impact, burdening developing countries with more than \$120 billion in annual costs

related to health, the environment and economic productivity.

We cannot plan to eradicate poverty and protect our environment without addressing the way millions of people cook. Global leaders must act now in order to ensure that cooking no longer kills.

Today, nearly 500 million households remain reliant on solid fuels for cooking. Changing the way these people cook can not only have wide-reaching health and environmental impacts, it also represents a tremendous market and development opportunity that must be met.

The founding partners of the Global Alliance for Clean Cookstoves (Alliance) saw this opportunity, and in 2010, launched a

public-private partnership. Their aim was to convene the right actors to create a thriving market for clean and efficient cookstoves and fuels. The Alliance set out an ambitious, but achievable, goal of 100 million households adopting clean and efficient cookstoves and fuels by 2020. In five years, the Alliance is on track to reach this goal and has demonstrated widespread impact, as well as the capacity to scale results.

"For too long, cooking has been a silent killer in developing countries around the world," former UN Secretary General Kofi Annan, an Alliance Global Champion, noted in the Alliance's *Five Years of Impact* report. "Finally, we are seeing a growing momentum around this issue. Thanks to

## Addressing a global challenge

**NEARLY  
3 BILLION**

people rely on open fires and simple stoves that burn solid fuels like wood, animal dung and coal to cook their food

**4.3 MILLION**

people die prematurely from illnesses attributable to the household air pollution from cooking with solid fuels every year

**UP TO  
25%**

of black carbon emissions come from burning solid fuels for household energy needs

**\$123 BILLION**

in annual costs to health, environment and economies in the developing world because of solid fuel used for cooking

## Projected impacts of the Alliance's work over the next five years



**1.6 billion metric tons**  
of CO<sub>2</sub>e saved (equivalent to that  
of 340 million passenger vehicles)



**2.1 million**  
sector jobs



**1.9 billion**  
trees saved



**640,000** lives  
saved, including  
**170,000** children



**61% reduction**  
in spending on fuel  
per household



**6.2%**  
of household  
income saved



**102 hours saved**  
annually per household  
collecting firewood

the Alliance and its many partners, millions more people are now using clean and efficient cookstoves and fuels.”

The Alliance's results from the end of 2014 show that nearly 30 million households have been reached with clean and efficient cookstoves and fuels. Our current projections suggest that more than 43 million households will be reached by the end of this year, spurring significant benefits for the households that adopt these new technologies and fuels, but also for the air quality, environment and economies around them.

Serving as a connector, catalyst and facilitator, the Alliance has helped build a solid foundation for transformative change by working with our partners to spur innovation, develop standards, advocate for enabling policies, and expand the base of evidence on the benefits of clean cookstoves and fuels. This approach has attracted investors and other financiers, and traditional development agencies are starting to integrate clean cooking into their work, too.

New cooking practices have also improved the well-being of millions of families and helped enable full participation in economic, education, community and family activities. The social impacts will be transformative. With greater access to sustainable household energy, communities will flourish and achieve a wide array of

other important targets across health, environmental and economic agendas.

Clean cooking is a solution on its own and a means to many other ends.

#### Case study: Government involvement

Government entities play a critical role in enabling the clean cooking sector to grow and become a healthy market that serves the needs of billions of people around the world.

## Inefficient cooking is a root cause of poverty, gender inequality and environmental degradation

Take the example of Ghana. Deforestation and air pollution in the country have been driven by the widespread use of wood and charcoal for cooking. Twenty-one million people are affected by household air pollution (HAP), and more than 13,000 Ghanaians die prematurely every year due to the use of inefficient cooking. As a result of this problem, and advocacy by the Alliance, Ghana's government has been considering liquid petroleum gas (LPG) as an alternative cooking fuel. However, Ghana's current LPG sector is still facing a number of challenges, including supply infrastructure, access to

capital, accessibility and convenience, and affordability of clean options.

Working with the government and LPG industry partners, the Alliance has helped inform policies that will assist the government in realising its national policy target of lifting LPG penetration for cooking from the current 18% to 50% by 2020. The Alliance will continue to support national partners by supporting the creation of a National LPG Master Plan, in addition to other market facilitation efforts. The

Alliance will also share the lessons it has learned from this process with other countries, such as Kenya and India.

In China, more than 900 million people are currently impacted by exposure to HAP every year. Realising the urgency of HAP as a public health, environmental, gender and livelihoods issue, the government has explicitly provisioned the adoption of clean cookstoves and fuels in its current Five-Year Plan. The Alliance is coordinating with China's National Development and Reform Commission (NDRC) and the Ministries of Agriculture and Science and Technology, as well as

## Strengthening supply



The Alliance has strengthened close to **200 enterprises** across the sector



**19** new investors have already deployed more than **\$60 million into the sector**



**28** of those enterprises have collectively increased cookstove production by **more than 300%** and have **doubled their fuel production**



The Alliance has helped attract **\$265 million** in carbon finance for the sector

the All-China Women's Federation, to promote the adoption of clean and efficient cookstoves and fuels for 40 million households by 2020.

### Case study: Strengthening local enterprise

In order to enhance sustainability and meet the needs of enterprises, consumers, and the market as a whole, the Alliance has utilised a suite of financial and capacity building products.

One of these mechanisms is the Spark Fund, which strengthens businesses and supports their investment readiness. Greenway Appliances has benefited from this financial and capacity building mechanism. "We were awarded a Spark grant from the Alliance during a critical time in our company's development," said Neha Juneja, CEO of India-based stove

manufacturer Greenway Appliances. "As a result, Greenway was able to launch programmes that greatly improved consumer demand and allowed us to better scale our manufacturing facilities. Since receiving the Spark grant, we've gone from serving consumers in one region of India to becoming the country's largest cookstove producer. We now export our stoves to Mexico, and this year, we reached one million cookstove users worldwide."

### Case study: Integrating women

Through the Women's Empowerment Fund (WEF), the Alliance is working with Solar Sister in Uganda to scale the distribution of cookstoves and portable solar solutions.

With support from the WEF, Solar Sister strengthens women's energy entrepreneurship by integrating empowerment and leadership training into its comprehensive training programme. Solar Sister employs 150 women entrepreneurs and has brought clean energy to more than 8,000 Africans.

In conjunction with the Alliance's other market facilitation strategies, these funding and capacity building mechanisms are imperative to long-term growth and sustainability.



### How the G20 can make an impact

Clean cooking offers an immense opportunity to tackle energy poverty and enable success across the Sustainable Development Goals (SDGs). In particular, accelerating the adoption of clean cooking will be key to reaching global goals on energy, health, gender equality and environmental protection.

The Alliance has a clear five-point plan for how the G20 and its member states can support and further these efforts.

1. For the implementation of SDG 7 on energy, ensure that we are addressing household and cooking energy, not just large energy projects that may not have direct impacts on people living in energy poverty.
2. Ensure the inclusion of indicators on HAP and clean-cooking-related issues throughout the Sustainable Development Agenda, particularly under Goals 3, 5 and 7.
3. Advocate for countries to offer beneficial tax policy and tariff rates necessary to grow the clean and efficient cookstoves and fuels market.
4. As part of their 0.7% of GNI commitment to ODA, ensure that grants and other financial mechanisms to support economic development, health, environmental protection, and women's empowerment efforts include provisions for clean cooking.
5. Directly support the Alliance model as we scale to ensure that 100 million households adopt clean and efficient cookstoves and fuels by 2020.



# A quiet financial revolution

— Technology collaboration and knowledge exchange between countries that have developed successful financial inclusion strategies will help deliver financial services to the unbanked masses, writes Alfred Hannig, Executive Director, Alliance for Financial Inclusion



Alfred Hannig is the Executive Director of the Alliance for Financial Inclusion (AFI), a global network of policymakers and regulators dedicated to providing the world's two billion unbanked with safe access to the formal financial system through smart policy initiatives. The AFI network currently includes more than 100 institutions from more than 90 developing and emerging countries.

@NewsAFI

**W**e often think of revolutions as sudden and dramatic, a specific moment in time when what we thought we knew and understood turns out to have been wrong or is surpassed by something novel. However, most revolutionary change actually happens gradually and often silently, building up over time until we suddenly find ourselves looking back and wondering exactly when everything changed. Today, we are living in the middle of such a revolution. Financial policies, products and systems we could not have foreseen before the global financial crisis eight years ago are now becoming mainstream. By themselves, these advances may only make a small impact, but taken together they represent the beginning of a monumental transformation of our formal financial system, with financial inclusion policy at the core of this change.

Advances in digital technology are allowing a truly interconnected financial system to take hold, blurring traditional definitions of banking and opening safe and secure financial access to those in

the most remote locations. At the same time, financial inclusion is seen as a major cross-cutting element in a broad range of policy areas, such as gender, sustainable development and social stability. This combination of technology innovation and policy convergence has already generated the ability to reach the world's unbanked on a scale never before thought possible. The impact of this effort was captured in the recently released World Bank Global Findex report, which shows the financial exclusion gap has closed by 500 million people in just over four years. It is an achievement worth celebrating, but the most difficult work is still to come, and will require even more flexibility, cooperation and determination.

Financial regulators and policymakers have a reputation for taking a measured and cautious approach to change. However, the policymakers of the Alliance for Financial Inclusion (AFI) Network have demonstrated that they are already global leaders in financial inclusion, creating enabling environments in every corner of the globe, rapidly adapting to change and helping to inspire further advances. Peer-to-peer exchanges and knowledge sharing are at the core of the AFI, and this 'community of equals' philosophy has enabled the network to grow to more than 100 institutions. With each new addition, the pool of shared knowledge in the AFI has expanded, and the ability of its members to meet financial inclusion challenges has strengthened.

In Tanzania, an enabling regulatory environment has made mobile finance available to millions. The number of unbanked Tanzanians dropped by half between 2009 and 2013. As of July 2014, 55% of adults were using 12.3 million active mobile accounts, vastly exceeding the financial inclusion targets the county had set under the Maya Declaration.

In Colombia in 2014, Congress passed a law creating a new category of financial institutions called *Sociedades Especializadas en Depósitos y Pagos Electrónicos* (Specialized Electronic Deposit and Payment Institutions). These are licensed deposit-taking entities that can be incorporated by an individual, postal service office, mobile network operator or another non-bank company. This innovative initiative is expected to rapidly increase financial inclusion in the country by facilitating electronic deposit accounts that earn interest and are exempted from banking transaction taxes.

And in the Pacific, after six AFI members saw the impact of making separate national financial inclusion commitments, they organised and launched the Pacific Islands Regional Initiative (PIRI) in 2015. Building on the 21 policy reforms already in place in the region, this new initiative offers an opportunity for every Pacific

**Advances in digital technology are allowing a truly interconnected financial system to take hold**

island country, even those without a central bank, to share and apply knowledge on the unique conditions in these island states in order to accelerate access, quality and usage of financial services.

With these kinds of innovative advances taking place across the world, it is not surprising that the international community is taking notice. At the Third International Conference on Financing for Development in Addis Ababa in July 2015, delegates met to consider how to support the United Nations development agenda beyond 2015. In the outcome



JAKE LYELL/ALAMY STOCK PHOTO

document, the Addis Ababa Action Agenda, financial inclusion featured prominently as a key driver for a better future. The AFI Network was held up as the ideal peer learning platform for the global community to achieve its vision. This recognition of the value of the AFI Network was gratifying, but more importantly, the prominent place of financial inclusion in the Action Agenda demonstrated how quickly this issue has developed from a fringe discussion area into a major policy plank for global development strategies.

### Multi-stakeholder collaboration

We are still in the middle of our ‘quiet revolution’. As with any great change, it is not easy to see everything on the road ahead. As financial inclusion’s connection to more areas becomes clear, the need and desire for broader partnerships will expand.

Private sector players, regulators, non-governmental organisations, regional bodies and traditional international organisations will need to continue to work together, complementing each other’s activities and promoting the wide-ranging benefits of sound financial inclusion policy.

In 2013, Tanzania hit its target of increasing the share of population with access to financial services from 27% in 2009 to 50% in 2015 early, largely driven by a surge in mobile banking

In September 2015, we witnessed firsthand how the international community is rallying around financial inclusion. AFI’s annual Global Policy Forum in Maputo, Mozambique, brought together more than 500 participants, the most diverse audience ever to attend such an event. Under the theme of ‘Inspiring Innovation to Advance Inclusion’, representatives from regulators, international organisations, regional associations, private sector innovators, academic institutions and others discussed issues ranging from rural communities to biometrics, gender issues, cryptocurrency, remittances, green financing, psychometrics, big data and much more. Who could have imagined that an annual forum of central bank regulators could become such a dynamic and forward-thinking event?

The convergence of policy and technology on financial inclusion gives us all opportunities to find innovative ways to bring the world’s two billion unbanked out of the shadows and into the light of the mainstream financial system. By working together, we can continue to take advantage of these opportunities and build a brighter future for everyone. ■

# Breadth of choice for investors



**Dr Hartmut Graf**  
Chief Executive Officer, STOXX Limited

## New European legislation on benchmarks creates uncertainty for the financial services industry

In the wake of the Libor and Euribor rate-rigging scandals, the European Commission was concerned that the same unethical practices could occur with other indices. To counter this, it has proposed legislation that will compel benchmark administrators to comply with a range of provisions regarding the source of their data. Failure to meet these provisions could result in administrative measures, including financial penalties.

At STOXX, we are committed to transparency and welcome all initiatives that benefit the end-investor. We are not fully convinced, however, that the proposed EU legislation will achieve that. Moreover, we believe that the regulatory principles (such as the International Organization of Securities Commissions' [IOSCO] Principles for Financial Benchmarks) adopted by all major index providers are already delivering the legislation's desired effect without any of the potential harm.

## The IOSCO principles: high standards already in force

As benchmark providers with an overriding commitment to transparency, we are disappointed that the proposed legislation does not appear to take into account the standards currently enforced by IOSCO in an appropriate way. All major benchmark providers – including STOXX, MSCI, FTSE Russell and S&P – are currently fully compliant with IOSCO's Principles for Financial Benchmarks.

This is no hollow exercise. The process of compliance involves independent auditing and, where necessary, changes to practices. At STOXX, for instance, we began the process of compliance with the IOSCO principles in late 2013 with a deadline of July 2014, which required us to make some small adjustments to our controls and governance. Overall, most of our processes were already in line with what the principles required. This was followed by a full audit conducted by PwC at the end of 2014. In other words, the compliance with the IOSCO principles sets rigorous standards that are fully enforced through the compliance process.

## We welcome regulation that promotes transparency and protects investors

### Financial services industry looks for a reasonable answer

Index providers and asset managers have been in discussions to influence the decision-makers to ensure the legislation would be workable and proportionate. Some progress has already been made, in particular in two areas, but further adjustments might support the continued growth of a valuable segment in the global financial markets:

1. Proportionality has been reflected in the latest proposal by categorising indices into three tiers – critical, significant and standard. However, the basis for the segmentation should be the potential conflicts of interest of the relevant benchmarks and not the size (as defined by the amount of financial instruments tracking them), as currently drafted. The existence of conflicts of interests, such as the identity of the index administrator and the user of the index, drives the vulnerability of the indices. Regulated data benchmarks, which are benchmarks based on prices

from exchanges, are not prone to manipulation at all. In their case, size sometimes even provides protection to the markets. For example, when investors urgently search liquidity in crisis times. Those regulated data benchmarks should therefore not be disincentivised by regulation.

2. Today, investors benefit from a functioning global index provision market. The breadth of choices allows for optimal allocation and diversification. For European investors, a limitation of choice would result in reduced abilities to optimally save long term, with all the negative implications on retirement savings in the aging society. Access to the European market for regulated data benchmarks, given that they are compliant with the IOSCO Principles for Financial Benchmarks, would provide sufficient protection. Further restrictions would create disadvantage for European investors and retirement savers.

### Who benefits?

STOXX's view is clear. We welcome regulation that promotes transparency and protects investors. We have declared compliance with the IOSCO principles and have been independently audited. In our view, the IOSCO principles form a level playing field globally in benchmark regulation, and national as well as regional initiatives such as the European Commission's should be based on these. We are wary of both the uncertainty that the proposed legislation could bring and their potential negative implications for competitiveness and innovation, which could ultimately be to the detriment of end-investors.

# STOXX

[www.stoxx.com](http://www.stoxx.com)

# Healthy economies depend on healthy children

— Investments in child health yield broader social and economic returns that ultimately benefit everyone, writes **Anthony Lake, Executive Director, UNICEF**



Anthony Lake is the sixth Executive Director of the United Nations Children's Fund (UNICEF), where he has led the organisation's renewed focus on equity, a cost-effective approach to achieving greater results for the world's most disadvantaged and vulnerable children. He also chairs the Lead Group of the SUN (Scaling Up Nutrition) Movement.

@UNICEF

[www.unicef.org](http://www.unicef.org)

**W**inston Churchill once observed that healthy citizens are the greatest asset any country can have. And he was right. Because the ambitions of a society can only be realised through the ability of its people to realise their own ambitions.

But were he speaking today, he might sharpen the focus on children. Evidence increasingly shows what common sense has always told us: healthy, well-educated, well-nourished children are the foundation of sustainable growth for every society – and one of the smartest investments we can make in our common future.

For generations, improvements in child health have primarily been seen as a dividend of economic growth: the more developed the country, the healthier the children – the result of better nutrition, routine vaccination and more widely available health services. Certainly, all societies are morally obligated to use their prosperity to benefit their youngest citizens.

But seeking improvements in child health is not only a moral obligation, nor a mere bonus of boom times. Investments in child health are a driver of sustained and sustainable growth – creating a ladder of opportunity from which families, communities and countries can realise their ambitions.

Consider child survival. The Lancet Commission on Investing in Health reported that 24% of full income growth in low- and middle-income countries between 2000 and 2011 was attributable to health improvements – especially lower child mortality and healthier children.

Or consider malnutrition and stunting, which affect millions of children around the world, undermining their health for life and interfering with the development of their brains – at enormous cost both to them and to

their societies. A World Bank study says improving basic nutrition can boost a poor country's gross domestic product (GDP) by two to three times annually.

And tackling malnutrition yields an enormous global return. Preliminary UNICEF research, reported during the recent Conference on Financing for Development in Addis Ababa, indicates that reducing stunting by 40% can result in a global economic benefit of \$9.3 trillion by 2030. This benefit stretches over the lifetimes of the entire generation born in six regions between 2015 and 2030.

Consider immunisation. Two studies by the Johns Hopkins Bloomberg School of Public Health show that if we scale up the use of existing vaccines in 72 of the poorest countries, we could save 6.4 millions lives and avert \$6.2 billion in treatment costs and \$145 billion in productivity losses over the next decade.

## A better start in life

Investments in child health also serve as a buffer in bad times – as healthier children are better able to withstand and recover from adversity. In a world where approximately 230 million children were affected in 2014 by violent conflicts and millions more saw their lives disrupted by natural disasters and the effects of climate change, this is critically important.

Investing in child health is also highly cost effective. This is especially important now, as the global community embarks on a new era of international development – and world leaders must deliver on the promises they have made in agreeing to the Sustainable Development Goals (SDGs).

The highly respected Copenhagen Consensus think tank recently evaluated the social, environmental and economic costs and benefits of the proposed SDG targets, which have now been agreed upon at the 2015 United Nations General Assembly. The results of analysis and evaluation make clear that investing in child health is the best value for money in development. Of the 19 targets the Copenhagen Consensus identifies as providing the best return on investment, more than 13 concern child health – and require child-related programming to achieve.

According to this analysis, reducing chronic child malnutrition by 40% can prevent 68 million children from becoming malnourished every year. Reducing newborn mortality by protecting mothers and providing skilled birth attendants and postnatal care can prevent two million newborn deaths every year. Increasing immunisation by expanding the number of children who are immunised against leading child killers such as pneumonia, diarrhoeal disease and influenza can save the lives of one million children every year. Halving malaria can save the lives of more than 440,000 people every year – most of them children in Africa.

According to the expert panel, reaching these and other cost-effective goals by 2030 will return more than \$15 of good for every dollar spent.

More broadly, the Lancet found that increasing health expenditures by just \$5 per person each year in 74 high-burden countries until 2035 would not only



UNICEF/NYHQ2011-2460/SOKOL

Investments in child health are not only a moral obligation, but also a driver of sustained, long-term growth

save and improve millions of lives, but would also generate about nine times the value of that investment in social and economic benefits. Why? Because better health means improved productivity, which in turn means greater GDP growth – and thus, more jobs and opportunities for citizens now and in the future.

#### Reduced healthcare costs

At the same time, investments in one sector can affect the success of efforts in other sectors. For example, approximately half of the dramatic decrease in under-five child mortality in low- and middle-income countries between 1990 and 2010 was due to investments beyond

So we must work across sectors, investing in the whole child – in all the areas that affect health and that health affects – including education and protection. This is especially true during early childhood – a unique time of opportunity during which children's brains develop rapidly, affecting their future health, their future capacity to learn, their future success, and even their future happiness.

#### Far-reaching benefits of health investments

The full, far-reaching benefits of investing in child health depend on targeting investments to ensure the most disadvantaged and marginalised children are reached – those living in extreme poverty, in remote rural communities and urban slums, children from indigenous and minority communities, children with disabilities, girls. We have made enormous progress over the past 25 years, but we are still leaving behind millions of children.

Again, this is more than a moral responsibility. It is a tremendous opportunity for us all. Because the results of investing in the most disadvantaged children outweigh the additional costs of doing so.

When children are denied a fair chance to live healthy lives, when they are denied vaccinations, proper nutrition, access to health services, and when they are denied education, protection, clean water and adequate hygiene, they are not only being denied a basic human right. Their societies are being denied their greatest asset, and thus, the chance to realise their own greatest ambitions, and by extension our shared ambitions for a better world. ■

## The results of investing in the most disadvantaged children outweigh the additional costs of doing so

the health sector, such as in WASH (water, sanitation and hygiene), nutrition, education, the empowerment of women and social protection.

Every dollar invested in water and sanitation yields a \$4.30 return, in the form of reduced healthcare costs for individuals and societies around the world.

Similarly, preventing undernutrition in early childhood helps children learn better in schools, which can translate into at least 20% in hourly earnings and at least 48% in wage rates.

# The expanded special project for the elimination of neglected tropical diseases

— Enhanced approaches to improve the lives of millions of people at risk of neglected tropical diseases in Africa

The World Health Organization's Regional Office for Africa (AFRO) is poised to launch the **Expanded Special Project for Elimination of Neglected Tropical Diseases** (ESPEN) – a new entity that prioritises the integrated control of five<sup>1</sup> diseases in Africa. Endemic African countries, non-governmental development organisations, medicine donors, donors and the World Health Organization (WHO) reached a consensus on the establishment of ESPEN following two meetings held in Johannesburg in April and in Geneva in July as the result of efforts to eliminate these diseases from the African region. The project brings hope to millions of people in the region who suffer from one or more of the five diseases, which can be easily prevented through large-scale administration of medicines (also known as mass drug administration) to communities at risk.

Functioning as an integral part of WHO, ESPEN will ensure that the gains made over the past decades in the control of onchocerciasis (river blindness) are sustained while providing enhanced technical support for expanding large-scale administration of medicines, particularly for lymphatic filariasis (elephantiasis). It also sustains the monitoring, evaluation and impact assessment surveys in countries with plans to assess and advise on when to stop 'Community Directed Treatment with Ivermectin' (CDTI) and large-scale

administration of medicines. In addition, ESPEN will provide operational support to endemic countries to achieve elimination goals and targets in accordance with the Regional Strategic Plan for NTDs for the period 2014-2020.

*"We want to integrate our approach and accelerate the elimination of the five high-burden NTDs in order to meet WHO's Roadmap targets for 2020. We can do this by creating conditions that will provide appropriate and timely technical support to countries as and when needed – and all this in a cohesive and cost-effective manner",* said Dr Matshidiso Moeti, WHO Regional Director for Africa, in her opening speech at an ESPEN consultative meeting.

**If \$10 million is mobilised for 2016, ESPEN will be able to reach more than 145 million people at risk in 26 countries with donated medicines**

Since her appointment as Regional Director for Africa in February 2015, Dr Moeti has introduced initiatives to make better health and well-being a reality for Africans. In providing her support for a lean and responsive ESPEN, Dr Moeti is reiterating WHO's commitment to coordinate and strengthen collaboration with countries, donors and partners.

To achieve the 2020 NTD targets, ESPEN requires an annual budget of \$10 million to support operational costs and staff salaries. About 75% of the total budget will support

technical and operational activities as well as monitoring and evaluation. For instance, if \$10 million is mobilised for 2016, ESPEN will be able to reach more than 145 million people at risk in 26 countries with donated medicines. Expected to start its operations from 1 January 2016, current funding for ESPEN is still inadequate.

## Neglected tropical diseases in the WHO African Region and the future of Sustainable Development Goals

Neglected tropical diseases affect the most vulnerable and poorest populations of low and middle-income countries. Affecting more than 1 billion people worldwide, the diseases are endemic in 149 countries, 40% within the WHO African Region. All the 47 countries of the region are endemic for at least two NTDs, and the population at risk requiring preventive chemotherapy ranges from 123 million for onchocerciasis to 470 million for lymphatic filariasis.

Eliminating NTDs in affected countries is more than an aspiration; it is a foundation for achieving the Sustainable Development Goals (SDGs). The SDGs provide an opportunity to address NTDs, particularly through the third SDG, which focuses on universal health coverage and "health for all". In respect to this, ESPEN advocates a holistic approach to tackle health problems, using the preventive chemotherapy, health education, improving access to safe drinking water, sanitation and hygiene (PHASE) approach. By supporting endemic countries to complete mapping of preventive chemotherapy NTDs, scaling up mass drug administration to reach millions of people

at risk of NTDs and harnessing all existing resources through coordination of NTD programmes, ESPEN will contribute to attaining the SDGs.

Lessons learnt while tackling NTDs will be applied to achieving the SDGs. The more NTD programmes reach the inaccessible, at-risk communities, the wider the coverage of universal healthcare and improvement in their livelihood will be, contributing to the achievement of the SDGs. Success stories from the fight against NTDs continue to provide the motivation to strengthen the

1. Onchocerciasis, lymphatic filariasis, trachoma, schistosomiasis and soil-transmitted helminthiasis

## Further information:

- In December 2013, the Joint Action Forum of the African Programme for Onchocerciasis Control (APOC) proposed to transform APOC as of January 2016. It suggested setting up a new programme (co-sponsored by WHO and the World Bank) to continue work for the elimination of onchocerciasis and lymphatic filariasis and support preventive chemotherapy co-implementation for other selected diseases.
- In October 2014, during the 148th session of the Committee of Sponsoring Agents, two main donors proposed the establishment of an entirely new body with specific mandate and structure.
- In December 2014, during the 20th session of the Joint Action Forum (JAF) in Addis Ababa, Ethiopia, two major decisions were taken: first, close APOC definitely on 31 December 2015 and second, establish an entirely new entity for all five PC diseases.
- In April 2015, a meeting of the Working Group in Johannesburg, South Africa decided to:
  - a. Create a 'lean', 'cost-efficient' entity that can achieve NTD Roadmap targets by 2020;
  - b. Ensure a smooth transition of technical support to affected countries for a period of one year.
  - c. Hold another round of discussions to finalise a framework for the new entity.
- WHO organised a stakeholders' consultative meeting in Geneva in July 2015 that finalised the framework

of a new entity (ESPEN), with the aim of tackling five high-burden neglected tropical diseases through an integrated, collective approach.

### NTDs and MDGs

- **MDG 1:** The control of onchocerciasis regained 25 million hectares of land in the riverine area of West Africa for productive use, thus contributing to the alleviation of poverty and hunger
- **MDG 2:** NTD infections affect both school attendance and performance, limiting educational performance and potential.
- **MDG 3:** Women feature predominantly among community distributors, contributing to improved gender equality by putting their health in their hands.
- **MDGs 4 and 5:** By contributing to the overall improvement of the health system as well as increasing the network of community health workers, maternal and child mortality is reduced.
- **MDG 6:** Co-implementing NTD interventions alongside others is cost effective – more for less. Addressing schistosomiasis and hookworm will prevent anaemia in children, while preventing genitourinary schistosomiasis will also contribute to preventing horizontal HIV/AIDS transmission.
- **MDG 8:** NTD partnership platforms have proven fruitful in channelling financial and technical support towards focused disease control objectives.

operational mechanisms of its programmes, including financial resources.

### A Call to Action

Over the past few years and largely due to substantial economic growth, countries in the African region have increased efforts to strengthen national leadership and programmes aimed at delivering interventions to eliminate or eradicate targeted NTDs. What is needed is greater investment of domestic resources in supporting elimination programmes.

G20 support for high-level advocacy and resource mobilisation initiatives are crucial to achieving targets set out by ESPEN. WHO calls on the G20 leaders to include in the G20 agenda the plight of NTD sufferers and the critical role of ESPEN in achieving the 2020 NTD control and elimination targets and its contribution to the 2030 SDGs.

#### For more information, please contact:

##### Technical contact:

- Dr Benido Impouma  
T: +472 413 9773  
E: [impoumab@who.int](mailto:impoumab@who.int)

##### Media and Communication contacts:

- Mr Winfred Oppong-Amoako,  
NTD Communication  
T: + 472 413 9811  
E: [oppongamoakow@who.int](mailto:oppongamoakow@who.int)
- Mr Collins Boakye-Agyemang,  
Programme Manager – Communications  
T: + 472413 9420  
E: [boakyeagyemangc@who.int](mailto:boakyeagyemangc@who.int)

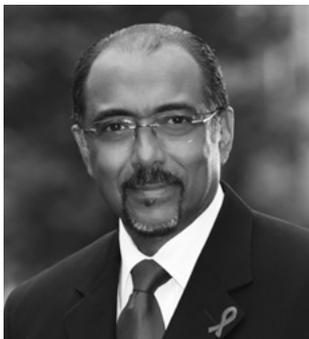


**World Health  
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REGIONAL OFFICE FOR **Africa**

# Time to turn the corner on AIDS

— We have the knowledge and capacity to relegate AIDS to the history books, but failing approaches and criminalisation must first be abandoned, writes **Michel Sidibé**, Executive Director, UNAIDS, and Undersecretary General, United Nations



Michel Sidibé was appointed Executive Director of UNAIDS and Undersecretary General of the United Nations in 2009, having joined UNAIDS in 2001. In 1987, he joined UNICEF in the Democratic Republic of Congo after working to improve the health and welfare of the Tuareg people, and serving as Country Director for the Terre des Hommes International Federation. He was with UNICEF for 14 years, overseeing programmes in 10 African countries and acting as a country representative in several.

@MichelSidibe

www.unaids.org

**T**he G20 meets this year at a critical moment for the world. We are living in an exceptional era when political unrest, financial instability and human insecurity place unprecedented pressures on society.

Today, more people are forcibly displaced than since the end of the Second World War. This year, 2015, represents the biggest leap of displacement ever seen in a single year. Almost half of the world's 1.1 billion young people are under- or unemployed, becoming targets for exploitation and radicalisation. Within the next two years, the richest 1% of the global population will have more wealth than the remaining 99%.

The current situation is unsustainable and dangerous. We need collective action and global governance more than ever. The G20 has never been more relevant or essential as a forum and lever to address our global crises.

In September, the remarkable targets of the Sustainable Development Goals (SDGs) were adopted by the international community. With their explicit targets to reduce inequalities, the SDGs are a welcome shift from the Millennium Development Goals (MDGs), which measured progress against blunt averages that masked widening gaps both within and between countries and communities.

I am encouraged that, under Turkey's presidency, the G20 has determined that its work in 2015 will focus on ensuring inclusive and robust growth through collective action. The G20's focus on inclusion resonates with what we have learned, over three decades of the global AIDS response, about what is truly possible through collective global action.

From the very beginning of the epidemic, action was driven by a movement of people living with

HIV and other affected communities. Since then, the response has continually pushed forward the frontiers of development. It has institutionalised inclusive governance and established rigorous global accountability mechanisms. It has challenged global norms on access to affordable medicines. And it has revealed the inherent linkages among health, human rights, and social, economic and political empowerment.

To turn the corner and end AIDS as a public health threat by 2030 – the ambitious target set for the SDGs – no one can be left behind. Furthermore, the world will not be able to end extreme poverty, address the effects of climate change or close equity gaps unless the human rights issues critical to ending AIDS are simultaneously addressed.

Ending AIDS is not only feasible – it is within our grasp. Achieving this target under the SDGs would avert 28 million HIV infections and 21 million AIDS-related deaths over the next 15 years. This is an incredible opportunity to save lives and strengthen fragile economies all over the world.

I look to the G20 to take the lead and fuel a new surge of action. There are five areas where I believe that together we can make a historic impact on this epidemic and ease its associated blights of inequity, poverty, discrimination, sexual violence and skewed justice.

## Making a historic impact

First, we must replace punitive approaches against marginalised communities with inclusive approaches. How will we reach gay men and transgender people, sex workers and people who inject drugs when they fear health services and hide from government authorities? Globally, more than 100 countries criminalise some form of sex work, and drug use remains criminalised in most countries.

Shockingly, 61 countries still have laws in place that permit criminalisation of people living with HIV – primarily involving HIV non-disclosure, exposure or transmission. In 76 countries, same-sex sexual practices are criminalised; in seven countries they are punishable by death. In addition to high rates of violence against them, transgender people are not recognised in most countries and are generally absent from public policy formulation and social protection programmes.

I urge the G20 to review laws and policies around what are in many countries considered difficult and sensitive issues, such as sex work, drug use, homosexuality and gender identity. The G20 is capable of leading the way towards abandoning criminalisation and harsh law enforcement practices.

Second, the G20 must act to put women and girls at the centre of all its efforts. The post-MDG world has fallen far short of eliminating gender inequality and gender-based violence and abuse. More than 100 countries still deny women the same inheritance rights and access to land and property as men. Early marriage and adolescent pregnancy remain common, particularly in low-income countries. Violence against women remains a global pandemic, perpetuated by social norms: more than a third of women worldwide

believe that domestic violence is justified under certain conditions, and about the same percentage have been victims of gender-based violence in their lifetimes.

The G20's commitment to inclusion requires concrete efforts to ensure gender equality across laws, policies and practices and to address gender-based violence. Real and threatened violence hampers women's ability to protect themselves from HIV and unwanted pregnancies. AIDS remains the largest killer of women of reproductive age globally. This has to change, and the G20 should lead the way.

Third, the G20 should embrace a comprehensive approach to empowering youth. This must include ensuring their universal access to sexual and reproductive healthcare services, including for family planning, information and education. Today, there is the largest generation of adolescents and young people ever. To thrive in our societies, they need more than education and employment – they need life skills

represent – as allies, partners and agents of change. Activism constitutes a global public good, and it comes from our youth, our women, our gay activists and our other brave campaigners for equality.

### Scaling up resources to end the epidemic

Fifth, and finally, the G20 can and must play a key role in scaling up resources to end the AIDS epidemic. We know what combinations of biomedical and behavioural measures work to successfully reduce AIDS-related mortality, new HIV infections and mother-to-child transmission. We know how to reach those being left behind. We know how to make the money work. Importantly, this means allocating resources to places and people where they will make the greatest impact. It means targeting areas where the most marginalised and excluded populations reside.

We have succeeded in reaching the AIDS targets of MDG 6. We met the '15 x 15' goal of reaching 15 million



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that include comprehensive sexuality education. It is unacceptable that 65% of young men and 72% of young women still lack accurate, comprehensive knowledge about HIV. We will never end the AIDS epidemic until our young people can seize, and fully enjoy, their sexual and reproductive rights.

As a fourth action, the G20 should support and strengthen civil society, whose representatives include vulnerable and marginalised communities. AIDS has taught us in no uncertain terms that empowering the people most affected by HIV delivers progress against the epidemic. Affected communities – uniquely positioned as they are on the ground and in the streets – know what works and what needs be done. Moreover, they can and will do it.

Civil society needs more than political space – it requires investment. But across the board, these organisations face a major funding crisis. We cannot afford to lose them – and the diverse movements they

people with HIV treatment by 2015 – and we did it six months before the deadline at the end of this year. With this in mind, I have no doubt that we can defeat AIDS by 2030 if we scale up action in the next five years.

Current investments in the AIDS response are around \$20 billion a year. Increasing that by \$8–12 billion a year would produce long-range economic benefits of more than \$3.2 trillion. That is a 17-to-1 return on our investment. Who wouldn't take that deal?

The G20's focus on ensuring inclusive and robust growth through collective action is critical to meet the many challenges we face as a global family. The AIDS epidemic represents just one challenge – but one that, to overcome, will deliver benefits across the SDGs.

Let us transform this challenge into an extraordinary opportunity. Let us be the generation that ends this cruel epidemic. Let us take action to ensure that no one is left behind. Let us turn the corner and walk into the sunlight of a world without AIDS. ■

The G20 should lead the way in protecting women from HIV and AIDS, which remains the largest killer of women of reproductive age globally

# Preventing the spread of Ebola into the Caribbean

— The Caribbean region can increase its disease preparedness by learning lessons from past epidemics, say **C James Hospedales** and **Babatunde Olowokure**, Caribbean Public Health Agency



Dr C James Hospedales is Executive Director of the Caribbean Public Health Agency. He was previously Coordinator of the Prevention and Control of Chronic Diseases at the Pan American Health Organization.

@CARPHA1



Dr Babatunde Olowokure was the Director of the Surveillance, Disease Prevention and Control Division at the Caribbean Public Health Agency at the time of the recent Ebola virus outbreak. An infectious disease epidemiologist, he has returned to the World Health Organization.

www.carpha.org

Several decades after the Surgeon-General of the United States said in 1970 that it was “time to close the book on infectious diseases”, such diseases still present significant health, social, economic and development challenges.

The recent emergence and spread of Chikungunya in the Caribbean, as well as Ebola virus disease (EVD) and Middle East Respiratory Coronavirus into new locations, are a cause of regional and global concern. In addition to imposing enormous financial burdens on societies and stretching health systems, these, and other public health threats, highlight the importance of strong national and regional public health systems that can contribute to global health security.

## Ebola in the Caribbean

As the scale and pace of the EVD outbreak in West Africa decreases, the challenges of bringing it under control will be remembered for the likelihood of the virus spreading to other regions, including the Caribbean. Indeed, travel-associated cases of EVD have been reported in different parts of the world outside Africa. In the United States, EVD was confirmed in four people.

Although there are no direct flights between the Caribbean and the countries most affected by the EVD outbreak in West Africa, the most common scenario for introducing EVD into the region was through the arrival of an apparently healthy person from an international travel hub in Europe or the Americas. Preparedness efforts throughout the

region also considered the possibility that transmission could occur as a result of a person arriving by sea. These scenarios demonstrated the importance of combating the epidemic in West Africa urgently and effectively at the source, in order to maintain low levels of risk for the Caribbean and elsewhere.

The World Health Organization (WHO), in line with the revised International Health Regulations (IHR), indicated that there should be no disruption of international trade and travel to or from the affected countries. Nonetheless, several countries – including several Caribbean states and territories – implemented sanctions on the travel of West African nationals to their countries, such as refusing to issue visas or requiring mandatory quarantine upon arrival. These sanctions resulted in a number of ‘false alarms’ that tested port health and public health systems.

## Strengthening regional health security

The health threats facing the Caribbean are amplified by the region’s dependence on tourism. It hosts more than 45 million visitors annually, increasing the risk for the import, and export, of diseases of international concern.

Weak health systems in many countries in the Caribbean make it difficult to respond effectively. Despite the middle-income country status of most members of the Caribbean Public Health Agency (CARPHA), their health systems lack sufficient investment in public health infrastructure; there is a shortage of trained human resources; there are deficient information systems; their laboratories are under-resourced; and they have insufficient dedicated financial resources for implementing the IHR core capacities. These and other associated factors impede the region’s ability to detect and respond early to infectious disease threats, and weaken regional and global health security.

Globally, the revised IHR entered into force in 2007 and have been key to strengthening global health security. However, the success of the regulations relies on the capacity and performance of public health systems to address threats before they become global health emergencies. In the Caribbean, all 24 CARPHA members requested an extension for implementing the IHR core capacities until June 2016. While there has been progress, significant gaps remain.

In November 2014, recognising the gravity of the situation in West Africa and the threat of EVD, the Caribbean Community (CARICOM) leaders met in Port of Spain, Trinidad and Tobago, to discuss public health, including EVD and Chikungunya as threats to regional health and economic security. They expressed considerable concern about the possible health, social and economic consequences of a single case of EVD in the region. They agreed on the need for enhanced regional and global coordination of the response to EVD, and that the best way to achieve success was to combat EVD at source. They emphasised that no CARICOM member should tackle EVD on its own. An action plan entitled ‘Stop Ebola There and Here’ was adopted, and CARPHA was asked to coordinate the region’s response to the threat of EVD.



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CARPHA had already implemented several measures, including activating the CARPHA Incident Management Team, producing guidelines, and advocating regional preparedness and response.

The mandate from the leaders was an opportunity to accelerate a partnership approach that provided a coordinated, measured and proportionate response, and supported efforts to combat Ebola at source. Such a coordinated and cooperative regional approach is based on solidarity in health and shared responsibility in the face of public health threats, and has brought significant benefits to the health of the Caribbean people over the past 30 years. To prevent the introduction of EVD into the Caribbean, this approach included mobilising resources; building capacity; strengthening, developing and nurturing existing and new partnerships; conducting an EVD preparedness survey of members; and visiting members to review EVD preparedness together with WHO and the Pan American Health Organization.

### Lessons identified

Today's infectious disease challenges are more complex than ever and require broad, sustained and coordinated efforts from multiple sectors, individuals, groups, public health agencies and other key stakeholders. It is impossible to predict what, where, when and how a new threat to public health will appear. Investment in public health and health service delivery is therefore very important to mitigate, prevent and control the impact of infectious disease outbreaks.

The Caribbean region remains at risk from global disease outbreaks. It must prepare for the inevitable next emerging infectious disease by identifying, learning and adapting lessons from the EVD epidemic. Such lessons include:

- Public health and social and economic development are intertwined, and disease outbreaks can seriously damage the political, social and economic fabric of a country.

A 3D rendering of the Ebola virus. Infectious disease challenges, such as halting the spread of the Ebola virus, are more complex than ever, and broad, coordinated efforts from multiple stakeholders are needed in response

- Appropriate evidence-based information and communication are essential for informing and empowering healthcare workers, communities and individuals.
- A collective strategic approach is necessary to address the common challenges facing countries in the region, and to leverage the response to facilitate a multi-sector approach.
- Begin preparations now for the next emerging infectious disease, and strengthen the generic capacities of national and regional systems for managing emerging diseases and public health threats.
- Progress towards meeting the IHR requirements needs support, including investment in laboratory diagnostic capacity, field epidemiologists, risk communication capacity and infection control practices.
- Leadership and coordination are key, and the health sector does not need to lead the overall response.
- Communication, coordination and collaboration must be strengthened at all levels, especially between health and non-health sectors.
- A fully functional regional emergency operations centre should be adequately funded and established at CARPHA, and an emergency stockpile of personal protective equipment built up.
- A regional emergency fund should be established to facilitate a rapid response to health security threats.
- Investment in national and regional disease surveillance and response networks – including a corps of trained public health personnel for deployment in emergency rapid response teams – and joint planning are essential.
- Joint field visits should be routinely carried out to determine the capacity of members to respond.
- 'False alarms' are an opportunity to test the adequacy of plans and systems, identify gaps, make modifications as appropriate and share experiences.

### A wake-up call

These lessons from the EVD epidemic are a wake-up call for economic, social, health and indeed all sectors. There should be fundamental and extensive changes in the way we invest in our public health services at national, regional and global levels — particularly for low- and middle-income countries. It is within these countries that investment may focus on perceived economic growth areas, rather than on maintaining and developing the public health and health services required to prevent the international and global spread of diseases, which may present security threats in the Caribbean region and beyond. ■

# Why the G20 must embrace a new health agenda

— Ilona Kickbusch, Global Health Programme, Graduate Institute of International and Development Studies, Geneva, gives her view why the G20 should push for global health reform, and what shape it might take



Ilona Kickbusch is the Director of the Global Health Programme at the Graduate Institute of International and Development Studies in Geneva, Switzerland. She has served on a panel of independent experts to assess the World Health Organization's response in the Ebola outbreak. She previously had a distinguished career with WHO and Yale University, and has published widely on global health governance and global health diplomacy.

@IlonaKickbusch

[www.ilonakickbusch.com](http://www.ilonakickbusch.com)

**F**or all G20 members, health constitutes a major sector of the economy. While the high-income economies need to control growing health budgets, many emerging economies need to invest significantly in health. In both cases, the health industry plays an increasing role. In Germany, the contribution of the health sector to the economy constituted about €315 billion in 2013 – about 11.2% of gross domestic product (GDP). The health sector's annual growth is roughly 3.5%. This year's G20 host, Turkey, will experience a rise in healthcare spending per capita at a compound annual growth rate of up to 6%. Healthcare spending in China is rising 20% annually and is expected to reach \$705 billion by the end of 2015. The Indian healthcare industry is expected to reach \$280 billion by 2020.

New relationships will emerge among the G20 members as their industries seek to profit from the expanding global health industry in emerging economies and newly developing African markets. This must be part of the deliberations of the G20 leaders and finance ministers as they consider investments, innovation, growth and job creation.

## Support new development models for health

Much of this growth does not reach the poorest. Countries need to address the still rampant infectious diseases and maternal health challenges, as well as non-communicable diseases. There are many economic arguments why the G20 should launch major joint health initiatives. Moreover, universal health coverage

is immensely valuable and produces many other benefits. Health systems combined with other social protection systems foster more cohesive societies – critical for many emerging economies. And in times of crisis, for example the emergencies resulting from the effects of climate change and mass migration, health systems mitigate the impact of shocks on communities. The G20 meetings – to be held in China next year and possibly in Germany in 2017 – could underline the importance of health by putting it on the agenda of the leaders and their finance ministers. The G20 could also make a strong statement on investing in health.

Most of the world's poorest people live in middle-income countries (MICs). Yet, donors and agencies are refocusing away from MICs, regardless of the distribution of poverty or disease burden. This can have unexpected consequences. Indeed, as Médecins Sans Frontières has warned, becoming a MIC can seriously damage your health because it closes avenues to financial support to help the poorest. This is why the G20 must address the new development models needed for health in the 21st century, so as to support the poorest and ensure social protection for all in MICs. Germany's G7 presidency in 2015 has shown the way. The meetings of the G7 leaders and of their health and science ministers underlined the need for and benefit of investing in health systems and research and in addressing the health requirements of the poorest. This needs to be continued at the next G7 and G20 meetings.

## Support the sustainable development goals

The G20 – representing about two-thirds of the world's population – must address the financing challenge for health in the context of the Sustainable Development Goals (SDGs). Only then does the world stand a chance of meeting the ambitious goals and targets set for health. Thanks to the G8 in 2000 – closely linked to the Millennium Development Goals (MDGs) – the Global Fund to Fight AIDS, Tuberculosis and Malaria was created; it has since saved millions of lives. Indeed, the health MDGs received a significant boost through focused initiatives and organisations with new governance and financing models, strongly supported by G8 members. But those efforts are no longer sufficient.

Innovative forms of global health governance – built on involving donors and recipient countries, non-governmental organisations, the private sector and foundations, as well as partner organisations – are strained in today's changing political and economic environment. Many MICs within the G20 are becoming donors in the context of South-South cooperation, and are establishing their own international development agencies. At the 2015 SDG summit, China announced that it plans to invest \$12 billion in the least developed countries (LDCs) by 2030. Will such investments be based on new financing models in the spirit of the SDGs, especially regarding support to Africa?

Just before the SDG summit in September, 267 economists from 44 countries, led by Lawrence Summers of Harvard University, published the 'Economists' Declaration on Universal Health Coverage'. It calls on



TIM GAINEVALAMY STOCK PHOTO

global policymakers to prioritise a pro-poor pathway to universal health coverage as an essential pillar of sustainable development. They make several critical points that G20 leaders should take on board. Most importantly, the economic benefits of investment in universal health coverage are likely more than 10 times greater than the costs. Health is essential to eradicating extreme poverty and promoting well-being. Over the past decade, health improvements – measured by the value of life-years gained – constituted 24% of full income growth in low- and middle-income countries. Japan, which chairs the G7 in 2016, will focus on universal health coverage, and hopefully China will include it in its G20 presidency. Health would provide an excellent opportunity for a convergence of G7 and G20 agendas, as well as continuity on issues tackled at various summits.

### Address 21st-century health challenges

The G20 must also be concerned with providing global public goods for health in science and technology, and tackling major common challenges such as anti-microbial resistance (AMR) and preparedness for health emergencies. Resistant infections already claim more than 700,000 lives a year. By 2050, resistant infections will kill 10 million people annually if no determined action is taken.

This could mean a cumulative cost of at least \$100 trillion, more than 1.5 times today's annual global GDP. China and India are particularly vulnerable. By 2050, AMR could cost China \$20 trillion – equivalent to about two years of its current GDP. The G20 must urgently address AMR both in the short and long term. Suggestions include creating a new fund to support research and development for blue-sky science and to act as a non-profit incubator for promising discoveries. It would need to be developed in close conjunction with the World Health Organization's (WHO) global action plan on AMR and the pioneering proposals developed during the German G7 presidency.

Similarly, G20 leaders need to make a strong commitment to ensuring global health security.

A woman has her blood pressure taken in a mobile outreach hospital in rural India. There is still a great need to address maternal health issues, particularly for the world's poor

They need to lead on implementing the International Health Regulations (IHRs) and ensuring that the funds are available to support low- and middle-income countries strengthen their IHR capacities. They must also lead in ensuring WHO's contingency fund for health emergencies, and in supporting a new pandemic financing facility, as proposed by the World Bank and WHO. They also need to ensure that the recommendations from the High Level Panel on Global Response to Health Crises are implemented. The health implications of the large population movements of migrants and refugees must be part of this concern.

Finally, G20 leaders must ensure the interface of the health and the climate change agenda. Each year, seven million people die because of environmental degradation – not including the many victims of disasters due to climate change. New humanitarian challenges will emerge as crisis becomes the new normal. Public health advocates have called for a commitment to planetary health, which takes into account the interface of systems of human health and ecosystems. The G7 and the G20 should be leaders in moving such an agenda forward.

### Health is a political choice

Health is now the concern of world leaders. It must remain a permanent feature of their engagement. The G20, the G7 and others will increasingly be called upon to support the United Nations to address key health challenges. This includes providing global public goods such as health research and development, dealing with cross-border externalities such as pandemics and AMR, and supporting leadership and stewardship of global institutions. It includes reaching the great convergence in health by investing in universal health coverage and promoting strategies that build on human and environmental health. As the economists' statement highlights, adequate finance of these global functions will likely prove the most efficient path to improving conditions for the poor in MICs. Who else is better placed than the G20 to spearhead such a way forward – not alone, but in close cooperation with other key actors in the global arena? ■

# Equitable energy ambitions

— The world's leading economies must strike a balance between renewables development and providing access to energy for those currently living without, ensuring that modern energy services are a realistic and attainable goal for all, writes **Abdalla Salem El-Badri, Secretary General, OPEC**



Abdalla Salem El-Badri has been Secretary General of the Organization of the Petroleum Exporting Countries (OPEC) since 2007. In 1977, he joined the board of Libya's Umm Al-Jawaby Oil Company, and in 1980 was appointed Chair of the Waha Oil Company. He became Chair of the Libyan National Oil Company (NOC) in 1983 and Libya's Minister of Petroleum in 1990. He subsequently served as Libya's Minister of Energy, Oil and Electricity, and Deputy Prime Minister, before returning to NOC until 2006.

[www.opec.org](http://www.opec.org)

**M**uch of the economic growth of the past two centuries has been fuelled by the exploitation of fossil fuels. This has certainly brought real benefits. It has helped improve living standards by providing such things as light, power and mobility. It has enabled the development of industries and the creation of jobs. And it has helped increase life expectancies. In short, the industrialised world has been built with fossil fuels.

## Investing in our collective future

However, we should not forget that this has not been the story for everyone. When we start up our cars, switch on a light and turn on our mobile phones, we need to recognise that these everyday things are still unknown to billions of people across the world who continue to suffer from energy poverty.

Today, at least 2.7 billion people still rely on biomass for their basic needs, and 1.3 billion have no access to electricity. These are people who need their voices heard. Their daily struggles focus on combating poverty. These people need access to reliable, safe and secure modern energy services to live and prosper.

The issues of energy sustainability and energy access are evidently central to the G20 agenda and Turkey's presidency in 2015. Global leaders must continue their efforts to ensure that access to modern energy services is not just an aspiration, but a reality for those currently without.

Of course, the economics of wanting more coupled with growing populations and rising energy demand has created challenges that were not foreseen at the time when Thomas Edison was developing the light bulb, or when Henry Ford was mass producing the

car. These challenges relate to the environment and climate change. These are a major concern for us all.

Climate change is also firmly on this year's G20 agenda, with the world now looking towards the next United Nations climate change conference, which is taking place in Paris at the end of the year. Current climate change negotiations to develop an agreement in Paris and raise the level of ambitions for the pre-2020 period are extremely important. But the interests and concerns of all must be taken into account.

We need to be practical in terms of what each of the various energy sources available to us can achieve. We need to be realistic in our ambitions. And we need to be equitable in terms of what each of us can offer to any future agreement. It is important that any agreement reached is comprehensive, balanced and fair for all.

We need to continue to develop renewables. They will play a growing role in the world's energy mix. But they cannot be seen as a direct replacement for fossil fuels in the coming decades. By 2040, fossil fuels will still need to meet 78% of the world's energy requirements.

Yes, we need to continue to use energy more efficiently to help reduce emissions. But we need to remember that some people still have no access to modern energy services. Clearly for them, emission reductions are not on the agenda.

Yes, there are environmental concerns regarding fossil fuels, but there are ways that these can be met and overcome. This includes pushing for the development and use of cleaner fossil fuel technologies, such as carbon capture and storage. OPEC recognises the importance of continually looking to advance the environmental credentials of oil, both in production and use.

We need to keep in mind that the three pillars of sustainable development – economic, environmental and social – mean different things to different people.

OPEC and its member countries understand the significance of activities related to sustainable development. They provide financial and technical assistance to developing countries, whether directly

**At least 2.7 billion people still rely on biomass for their basic needs, and 1.3 billion have no access to electricity**

through their own aid institutions or by participating in the OPEC Fund for International Development (OFID). They also push for research and development into sustainable energy technologies and for advancing various projects aimed at environmental protection.

In terms of furthering energy access, through OFID, OPEC members support the United Nations Sustainable Energy for All (SE4ALL) initiative, involving many projects aimed at alleviating energy poverty



GEORGE OSODI/BLOOMBERG VIA GETTY IMAGES

and addressing it holistically alongside food and water security. The strategic framework for these activities is OFID's Energy for the Poor Initiative, which is funded through a revolving endowment of \$1 billion.

### Energy diversification

OPEC members are carrying out many projects and initiatives for protecting the environment. These include investing in carbon capture and storage, reducing gas flaring, producing cleaner petroleum products, and developing hybrid solar-gas power stations, solar-powered desalination units and wind power facilities.

Moreover, oil producers realise that they cannot stand still. They need to think about an affordable, balanced and sustainable future. Yes, oil is part of this future, but diversity is essential. There is a need to look for alternative sources of income. And there is a need to develop other sources of energy, particularly

Nigeria was the world's fourth-largest exporter of liquefied natural gas in 2012, and global demand remains high. By 2040, fossil fuels will still need to meet 78% of the world's energy requirements

when many countries have distinct advantages in terms of solar and wind.

The world's population is expected to increase to around nine billion by 2040; an increase of more than 1.7 billion from today. Energy demand is anticipated to increase by around 50% over the same period. Global leaders, such as those attending the 2015 G20 Antalya Summit in Turkey, must appreciate the scale of the energy challenges ahead, and the importance of making the right choices and decisions.

Our shared objective must be a stable and sustainable energy future for all. Feeding into this are issues related to social welfare, economics and the environment; the views of developed and developing countries; those who have access to modern energy services and those who do not; and the need for all of us to be practical, realistic, logical and equitable when thinking and planning our global energy future. ■

# Lighting the way forward

— G20 leaders should leverage existing partnerships and help deliver power to all, writes **Andrew M Herscowitz**, Coordinator, Power Africa, and **Katrina Pielli**, Senior Energy Advisor, US Agency for International Development



Andrew M Herscowitz is the Coordinator for United States President Barack Obama's Power Africa and Trade Africa initiatives. He previously served as the US Agency for International Development's (USAID) Mission Director in Ecuador from 2011-13.

@aherscowitz

[www.usaid.gov/powerafrica](http://www.usaid.gov/powerafrica)



Katrina Pielli is a Senior Energy Adviser to Power Africa at USAID, seconded from the US Department of Energy (DOE). Prior to joining USAID, Pielli served as a Senior Policy Adviser to the DOE's Deputy Assistant Secretary for Energy Efficiency.

**A**ccess to electricity is a pressing issue of our time. It affects both economic growth and human development. Currently, more than 600 million people in sub-Saharan Africa lack access to electricity. In response, President Barack Obama launched Power Africa in June 2013, an innovative partnership to double access to electricity in sub-Saharan Africa. In recognition of the urgent need and early Power Africa successes, President Obama tripled Power Africa's goals in 2014 – to add 30,000MW of new, cleaner electricity generation capacity and increase electricity access by at least 60 million new household and business connections. These goals are ambitious, but Power Africa is already making significant progress through expanding all aspects of its reach, from the markets it works in to the tools it offers.

To date, Power Africa has assisted with the financial closure of transactions expected to install more than 4,100MW of new, cleaner power generation capacity when fully online. This additional capacity has the potential to enable approximately four million new connections through increased availability of power. In addition, one million new connections are expected from projects receiving US government funding through Power Africa's Off-Grid Energy Challenge and the US-Africa Clean Energy Finance Facility initiative. An example of Power Africa's transaction model in practice is the 340MW natural gas Cenpower Kpone project in Ghana, which began construction in January 2015. Power Africa was closely involved in accelerating this project through providing a variety of support, including reviewing loan



documents, assisting with lender requests, consulting on the negotiations of power purchase agreements and providing due diligence on financial models and reports.

Recognising that Power Africa cannot achieve energy access goals exclusively through large-scale power and grid extension projects, Power Africa launched Beyond the Grid in June 2014, a sub-initiative to unlock investment and growth for off-grid and small-scale energy solutions in sub-Saharan Africa. Beyond the Grid focuses on increasing private investment in off-grid and small-scale energy solutions under 10MW across sub-Saharan Africa. The range of energy solutions supported by Beyond the Grid includes solar lanterns, solar rooftop systems for households, captive power for industrial and commercial buildings, mini-hydro projects providing power to nearby villages, and mini-grids for communities and healthcare centres. Beyond the Grid applies Power Africa's private-sector-focused model to accelerate transactions and drive systemic reforms to facilitate future investment in off-grid and small-scale renewable energy solutions.

## The partnership approach

Partnerships are key to Power Africa's approach to meeting its goals. This can be seen in its support for Off-Grid Electric, which helped the company grow, improve and attract substantial private capital investment. In 2013, USAID's Development Innovation Ventures (DIV), an innovation fund within USAID's US Global Development Lab, invested an initial \$100,000 to pilot operations in Tanzania. The company also received \$200,000 in funding in 2013 from the Overseas Private Investment Corporation's US-Africa Clean Energy Finance (ACEF) programme. Support from ACEF allowed Off-Grid Electric to upgrade software and to optimise



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Power lines crossing fields near Cape Town, South Africa. Power Africa is making significant progress on its promise to increase electricity access by 60 million new household and business connections

hardware design and supply chain management. These efforts were critical for the company to better serve its existing customer base while allowing it to scale up quickly. In late 2014, DIV invested an additional \$1 million, and in early 2015 Off-Grid Electric secured another \$16 million in equity financing led by SolarCity, Zouk Capital and Vulcan Capital, as well as an additional \$7 million loan from the International Finance Corporation and its partners. This illustrates the partnership approach critical to Power Africa – private-sector partners have committed more than \$20 billion towards specific projects, including \$1 billion in commitments under Beyond the Grid.

Power Africa is working beyond US government agencies through strategic partnerships to further progress towards its goals. For example, partnerships

## More than 600 million people in sub-Saharan Africa lack access to electricity

with the World Bank Group, the African Development Bank and the Government of Sweden through the Swedish International Development Agency (Sida) have committed \$9 billion in total in support of Power Africa. In addition, Power Africa has signed a cooperation agreement with the United Nations's Sustainable Energy for All (SE4All) initiative focused on cooperation in furthering energy access, electric power generation and market development, cross-border transmission network development, clean energy investments, off-grid energy generation and energy project financing in sub-Saharan Africa. A

Power Africa-SE4All collaboration on an energy efficiency roadmap will be launched in Uganda to demonstrate the immense benefits associated with energy efficiency, the important linkages between efficiency and electricity access and quality of service in both urban and rural contexts, and the range of concrete steps that can be taken to harness opportunities and secure needed investment, thereby providing a model that can be replicated in other countries. Most recently, the European Union and Power Africa signed a memorandum of understanding outlining the European Union's contribution of more than \$2.8 billion for sustainable energy activities across sub-Saharan Africa.

These partnerships demonstrate the power of collaboration, and the G20 leaders are in a unique position to build on existing programmes and partnerships to make a dramatic move forward in increasing access to reliable and affordable electricity, a key element in poverty eradication and economic growth in sub-Saharan Africa. G20 leaders can build on successes at Antalya by taking the following actions:

- Support the development of multi-donor initiatives to focus efforts and maximise impact, specifically regarding financing mechanisms to scale up household solar and other off-grid energy solutions. By joining forces and not duplicating efforts, donors can drive greater development impacts across sub-Saharan Africa.
- Assist with the creation of markets for small-scale solar solutions that keep out sub-standard energy products and prevent market spoilage by supporting country and regional efforts to adopt, raise awareness about and enforce internationally harmonised quality standards. Ensuring consumers have positive experiences with energy products is critical to retaining and growing market demand for off-grid and other small-scale solutions, as well as supporting growth and competition within the private sector providing these products.
- Demonstrate the impact of energy sector reforms with leading heads of government and ministers, because creating a transparent and rational market requires cost-reflective tariffs and solvent off-takers. Given that implementing necessary reforms and regulations can be challenging, leaders should use their unique opportunity to lead by example in creating well-functioning energy markets.

It is through effective and sustained partnerships that these critical goals can be met, including Sustainable Development Goal 7 – to ensure access to affordable, reliable, sustainable and modern energy for all. Power Africa will continue to foster partnerships and develop activities that support private-sector investment, and do its part to drive towards universal access to reliable and affordable electricity throughout sub-Saharan Africa. ■



# Time to focus on climate finance

— At a landmark conference in Paris in December, leaders will put pen to paper on a new universal climate agreement, but poorer countries will need more support to meet their targets, says **Christiana Figueres, Executive Secretary, United Nations Framework Convention on Climate Change**



Christiana Figueres was appointed Executive Secretary of the United Nations Framework Convention on Climate Change in 2010 and reappointed in 2013. Initially a member of Costa Rica's negotiating team, she was also on the executive board of the Clean Development Mechanism and Vice President of the Bureau of the Conference of the Parties in 2008-09. In 1995, she founded the Centre for Sustainable Development of the Americas. Figueres began her life of public service in 1982, and held several positions in the Government of Costa Rica.

@CFigueres

www.unfccc.int

**T**he G20 meeting in Turkey comes just weeks before the world meets in Paris to ink a new universal climate agreement.

Crucial to that success and to fostering the current and future ambitions of countries will be finance – and, more specifically, support from developed countries to the aspirations of developing ones.

Six years ago, rich countries pledged to provide \$100 billion to poorer countries by 2020, the date when the new agreement will come into force.

Paris needs to provide certainty, clarity and confidence that this promise will be met, not least to support the climate action plans – Intended Nationally Determined Contributions (INDCs) – of the most vulnerable nations, including the least developed countries and the small island developing states.

Many of these are already feeling the impact of climate change while trying to lift populations out of poverty, grow their economies and build resilience into infrastructure and economically important sectors against future climate upheavals.

They are being asked to do all this while managing the reduced use of fossil fuels – the energy sources that fuelled the growth of developed economies for nearly two centuries but that today are driving

increasingly dramatic changes in our shared climate.

So how is the world doing in terms of building confidence that the necessary finance will flow to those countries, and, in particular, those that need it most?

In October, in Lima, the Organisation for Economic Co-operation and Development (OECD) presented an analysis commissioned by the governments of France and Peru.

This report suggested that in 2014, climate finance flows from the North to the South reached around \$62 billion. It suggested that public finance from governments, either bilaterally or via multilateral development banks, accounted for some 70% of the flows during 2013-14. Finance mobilised from the private sector made up somewhere in the region of 25%, with export credits making up the remainder.

The research follows findings from the Standing Committee on Finance, which reports to governments of the United Nations Framework Convention on Climate Change (UNFCCC). It assessed climate finance flows over the period of 2011-12 and suggested that climate finance from North to South could be in the range of \$35 billion to up to \$50 billion.

## More climate-friendly projects

There are other positive developments, with developed countries and some developing countries having pledged, by the end of 2014, more than \$10 billion to the newly established Green Climate Fund (GCF).

Meanwhile, multilateral development banks have pledged to increase their contributions in advance of the Paris conference. In the past few months, the World Bank has announced that it plans to increase direct and co-leveraged finance for climate-friendly projects to \$29 billion a year.

Areas for investment range from renewable energies, energy efficiency and sustainable transportation to adaptation projects, including building greater resilience in urban areas, restoring forests and degraded landscapes, and improving water supply management and climate-smart agriculture.

The African Development Bank has announced it will triple its climate finance to the continent to \$5 billion a year by 2020, with half going to mitigation projects, such as renewable energies, and half to adaptation. Meanwhile, the European Bank for Reconstruction and Development, which also invests in developing countries ranging from Jordan and Mongolia to Tunisia and Egypt, alongside economies in transition including Kazakhstan and Turkmenistan, has also announced new pledges. It aims to increase green financing to \$18 billion over the next five years, which may represent a doubling of support.

The Inter-American Development Bank has made a similar announcement, as has the Asian Development Bank, which announced that it will also double climate finance to \$6 billion a year by 2020.

Several developed countries have also made recent positive announcements ahead of the Paris meeting.

- France announced that by 2020, it would increase annual climate finance from the current €3 billion level to more than €5 billion, while increasing its annual grants for adaptation by more than €350 million.
- Germany has pledged to double its international climate finance by 2020 compared with 2014.
- The United Kingdom has made a similar pledge, representing £5.8 billion in the 2016-21 period.





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- The European Commission has announced its intention to more than double climate finance grants from the European Union budget up to 2020, reaching €2 billion a year on average.
- Sweden announced its intention to nearly double multilateral climate support in 2016 compared with 2015.
- The Netherlands announced that it would increase climate finance efforts by €100 million in 2014, to €440 million, and by €110 million more in 2016, to €550 million.

The OECD report numbers, in particular the definitions, methodologies and assumptions behind them, need to be understood and discussed among all countries before the final tally can be done. However, at a minimum, the report shows a yearly increase in climate finance, as well as a current order of magnitude that gives confidence to the probability of reaching the targeted \$100 billion by 2020.

Furthermore, the bilateral announcements and those of the development banks to increase their respective funding as of 2016 illustrates the increasing will to address the challenge. All is clearly not said and done, but I am encouraged by what I see.

Member countries of the G20 have a pivotal role to play across a range of issues in building further confidence. For example:

- Supporting the newly established Vulnerable Twenty (V20) group of countries' effort to increase climate finance including through, for example, a new climate risk pooling mechanism. Modelled on similar regional facilities, the trans-regional mechanism would increase access to dependable and cost-efficient insurance while incentivising scaled-up adaptation measures.
- Transforming pledges to the GCF into actual contribution agreements in order to speed up the implementation of developing countries' INDCs – while more than \$10 billion has been pledged, there remains a significant gap between promise and contributions.

Many of the world's most vulnerable nations are already feeling the impact of climate change, while trying to grow their economies and build resilience into infrastructure

- Boosting the various funds under the UNFCCC that target support to vulnerable states – to date, the Adaptation, Special Climate Change and LDC Funds amount to less than \$200 million in total, with projects submitted for finance to the LDC Fund alone totalling \$250 million.
- Accelerating the G20's long-term aim to reform fossil fuel subsidies that, according to the International Monetary Fund, may be costing countries as much as \$5.3 trillion a year – higher than the global spending by governments on healthcare.

### A turning point?

There are many more options on the table. In the end, trillions of dollars will be needed to transform the world to a climate-safe future while meeting the Sustainable Development Goals.

And over the coming decades, it is clear that wider ranging, systemic actions will need to be undertaken to transform the global financial architecture into one that promotes the long-term sustainability of nations.

This was underlined in a two-year-long inquiry into finance systems and capital markets coordinated by the UN Environment Programme.

Speaking at the launch, Yi Gang, Deputy Governor of the People's Bank of China, said the report “delivers a vision of embedding sustainable development into the core of financial and capital markets. It should be a very useful guide and reference for many governments, financial institutions and international organisations in thinking about how to advance green finance.”

But this is for the medium to long term. The urgency right now, just weeks before Paris, is to provide the certainty that the sums and the trajectory towards the \$100 billion are indeed building, and that the flows under way will meet the legitimate needs of the poorest and the most vulnerable.

With this in place, the Paris Agreement can be truly recognised as a historic departure and a turning point towards a very different future for more than seven billion people alive today. ■

# A fresh start for planet earth



**Naoko Ishii**  
CEO and Chairperson,  
the Global Environment Facility

**T**oday, we all stand at a defining moment for the future of humankind. We have already reached or exceeded the carrying capacity of several of the earth's ecosystems. The next 10 years will likely see another 700 million people added to the world's population, more than one billion additional middle-class consumers and 50% growth in economic output.

On an increasingly crowded planet, action is urgently needed to curb the drivers of global environmental degradation. The G20 has a particular responsibility and has the capacity, through its member countries, to create the necessary momentum for change. The good news is that there is a path forward. Together, for the sake of future generations, we cannot miss this opportunity.

## Beyond the Sustainable Development Goals

In September, world leaders gathered in New York to adopt an ambitious, bold and universal sustainable development agenda geared towards ending poverty and promoting prosperity by 2030, while addressing the environment. The summit outcome includes 17 Sustainable Development Goals (SDGs).

The SDGs hold the promise of a fresh start for our planet. Critically, they recognise that the health of the global commons – the planet's finite environmental resources, from land and

forests to oceans and the atmosphere – is essential for a thriving world.

The SDGs provide a guide for action in the key areas where governments, the private sector and citizens will have to invest in order to transform our economies and prosper within planetary boundaries.

The Global Environment Facility (GEF) is committed to help all actors deliver on that potential.

Rooted in our role as a financial mechanism for the Rio Conventions and other multilateral environmental agreements, the GEF is uniquely placed to help buttress earth's life support systems, which are vital for all.

Based on more than two decades of experience, we recognise the importance of tackling complex interdependent issues in an integrated manner.

Our financing, holistic approach and wide network of partners help catalyse innovation and transformational change to provide the stable conditions on earth required for the future we want. We are supporting multi-stakeholder alliances to take action to preserve threatened ecosystems, build greener cities, boost food security, promote clean energy and help lay the foundation of a more prosperous, climate-resilient world.

## Action is urgently needed to curb the drivers of global environmental degradation

Against the background of unprecedented challenges for the global environment, our governing body, the GEF Council, has adopted the GEF2020 strategy. GEF2020 emphasises the need to support transformational change and achieve impacts on a broader scale. The strategy calls for the GEF to focus on the drivers of environmental degradation, and it addresses the importance of supporting broad coalitions of committed stakeholders and innovative and scalable activities.

Many global environmental challenges are interlinked and share common drivers. Biodiversity loss, climate change, ecosystem degradation and pollution often share common drivers and may demand coordinated responses. For example, unsustainable agricultural production contributes approximately 25% of global greenhouse gas (GHG) emissions. But it is also a leading cause of hypoxia in aquatic systems, and it can lead to deforestation and habitat destruction, thus promoting further loss of biodiversity.

By targeting key drivers, the GEF will magnify the effects of its investments, making them add up to more than the sum of their parts. Interdependence between environmental challenges is an additional reason for considering integrated approaches. For example, ecosystem degradation may happen faster as a result of vulnerabilities created by climate change. Research suggests that combined effects markedly increase the probability that critical thresholds of irreversible change will be crossed faster than predicted for each factor separately.

## Time for transformational change

In one specific area, we are starting to put theory into practice. Earlier this year, the

GEF Council gave the green light to three integrated approach pilot programmes as part of the largest work programme in our organisation's history.

The three programmes – Fostering Sustainability and Resilience for Food Security in Sub-Saharan Africa, Sustainable Cities, and Taking Deforestation out of Commodity Supply Chains – will test the delivery of more integrated approaches that address discrete, time-bound global environment challenges.



The GEF's newly launched flagship programme on food security in Africa works in 12 African countries, focusing specifically on safeguarding natural resources – land, water, soils, trees and genetic resources – that underpin food and nutrition security.

It brings a holistic perspective to the management of these resources in African agriculture and helps strengthen soil health, improve access to drought-tolerant seeds, adjust planting periods and cropping portfolios, and enhance on-farm agrobiodiversity for the benefit of smallholder farmers, both men and women. Bringing together more than \$900 million from a variety of sources, the programme aims to enhance long-term sustainability and resilience of food production by reducing land degradation and biodiversity loss, recovering natural vegetation and increasing soil carbon.

The GEF's Sustainable Cities programme will demonstrate how innovative and focused investments in urban planning

and management can start changing the trajectory of cities towards more sustainable pathways, while enhancing their climate and disaster resilience. It will provide \$1.5 billion over five years to benefit 23 cities in 11 developing countries. The programme puts strong emphasis on helping city leaders share knowledge and best practices in areas like low-carbon public transport and clean water supply, green buildings and other interventions designed to reduce air pollution and GHG emissions, and on the promotion of resource efficiency, adequate waste management, ecosystem and biodiversity protection, and climate resilience.

### Greening commodity supply chains

The new flagship programme, Taking Deforestation out of Commodity Supply Chains, will focus specifically on introducing sustainability measures throughout the supply chains of palm oil, soy and beef, which are responsible

for approximately 80% of tropical deforestation. The programme will support strengthened land use policy, planning and governance, and encourage commodity producers to uptake sustainable production practices. It has never been clearer that bolder and more imaginative solutions are required to meet the challenges facing the global environment.

The GEF stands ready to help mobilise the means required to implement the new SDG agenda through a revitalised global partnership for sustainable development, with the participation of all countries, all stakeholders and all people.



[www.thegef.org](http://www.thegef.org)

# Once in a generation

— The cost of investment in climate change adaptation is small change compared with the cost of inaction, writes Achim Steiner, Executive Director, United Nations Environment Programme and Under-Secretary General, United Nations



Achim Steiner was elected Executive Director of the United Nations Environment Programme (UNEP) and Under-Secretary General of the United Nations in 2006, with his term extended until 2016. A German and Brazilian national, he was also Director General of the United Nations Office at Nairobi from 2009 to 2011. Before joining UNEP, he served as Director General of the International Union for Conservation of Nature (IUCN) from 2001 to 2006, and prior to that as Secretary General of the World Commission on Dams.

@UNEP

www.unep.org

**T**his may only be the 10th meeting of the G20 members, but it will probably be the most important one to be held in my lifetime.

Coming on the heels of the historic Agenda 2030 agreement, which acknowledged the integral role of the environment in virtually every aspect of global health and prosperity, the Antalya Summit is our last opportunity to build the momentum and commitment to deliver an equally historic agreement at the United Nations Climate Change Conference in Paris in December.

Climate change is an unprecedented environmental phenomenon with dramatic implications for every aspect of social well-being, economic development, security and stability. With the complex issues surrounding climate change so thoroughly woven into the fabric of everyone's lives, the solution must be too. That means transforming to a more inclusive, sustainable green economy and transferring adequate, available funding to help the most vulnerable countries deal with the consequences of climate change that are already taking effect.

The current socio-economic model of consumption and waste is an inefficient, carbon-intensive mechanism that excludes many and benefits few. The bottom 40% of the population shares less than 4% of the global gross domestic product (GDP), much of which comes from small-scale farming around coastlines or on the edge of forests.

However, we can reverse such trends, not necessarily by investing more, but rather by investing more wisely. Today's infrastructure, technology and finance choices offer an unprecedented opportunity to rapidly redeploy global investment.

The G7 members have already pledged to mitigate climate change and decarbonise their economies, but the laws of science and nature are not restricted by the

laws of international politics. So, action on climate change needs to be a global effort. Tackling the two biggest emitters of greenhouse gases – energy and land use – will require the redirection of \$1 trillion per year until 2050. Yet, in 2013, public financing for climate change was \$137 billion and private investment \$193 billion, 90% of which remained invested in the country of origin.

## Green dividends

Much of that funding gap will have to come from the private sector. Successful businesses already know how to anticipate and adapt to changing markets. Those who take the same approach in shifting towards a green economy will continue to enjoy success because the dividends will be, by default, sustainable. Studies from the International Energy Agency show that the uptake of economically viable energy efficiency investments could boost cumulative economic output by \$18 trillion in the next 20 years. That is more than the combined economic output of the United States, Canada and Mexico.

Many people will be quick to say that a complete overhaul of the global economy is too much to ask. Not so long ago we heard the same about the ozone layer. Yet the past 30 years of action will restore the ozone layer to pre-1980s levels in the next 30 years. Change on this scale may be daunting, but it can be done.

In the meantime, we will all continue to feel the impact of climate change and must protect those most vulnerable to the risks. The first Adaptation Report produced by the United Nations Environment

## We must protect those most vulnerable to the risks of climate change

Programme (UNEP) shows that coping with the consequences of climate change will cost between \$150 billion and \$500 billion per year until 2050. For example, today Bangladesh spends \$1 billion a year dealing with the impact of climate change. That is nearly a fifth of the amount the World Bank estimated for the country's climate change adaptation by 2050.

That sounds like a massive investment, and it is, unless you compare it to the cost of inaction. Across Africa, two thirds of arable farmland could be lost to erosion in the next 20 years. Preventing human-induced soil erosion could enable the production of an additional 280 million tonnes of cereal crops every year. It would be a significant leap towards increasing food security and national income, while simultaneously reducing food import costs and poverty. Failing to do so could cost 12% of the continent's GDP and affect anybody who depends on the 97% of global food supply that comes from terrestrial ecosystems.

So if the world is to secure a new action plan on climate change in Paris, then the G20 summit in



UN PHOTO/RICCARDO GANGALE

Antalya will need to address those key issues: the shift towards an inclusive, sustainable green economy and the allocation of adaptation funding. This cannot be a choice of one over the other; we need both to underpin the credibility of any agreement on climate change.

### Support from the financial sector

Over the past 20 years, the UNEP Finance Initiative has built a partnership with more than 200 banks, insurers and fund managers to develop a granular understanding of the links that exist between environmental, social and financial performance.

Then, last year, that foundation was built upon with the launch of the UNEP Inquiry to help individual states establish a framework that puts sustainable development at the very heart of their decisions,

Investment into climate change adaptation is crucial. Across Africa, two thirds of arable farmland could be lost to erosion in the next two decades

by facilitating market reform and more effectively channelling capital to green investment.

Crucially, this is not about anybody trying to take financial institutions down a road they are reluctant to take. Some 365 leading financial organisations are signatories to the Global Investor Statement on Climate Change. They are pushing for courageous political leadership in key areas such as carbon pricing and a controlled move away from fossil fuels subsidies towards the development and deployment of renewable technologies.

That is why I believe the G20 leaders have a once-in-a-generation opportunity to take ambitious decisions on both the green economy and climate adaptation, with the full support of both the United Nations and the leading players of the global financial sector. ■

# Creating lasting value through sustainable development



**Yousef Abdullah Al-Benyan**

Acting Vice Chairman and CEO,  
SABIC

Climate change represents both a challenge and an opportunity for global businesses such as SABIC. A challenge because doing business in a sustainable manner is necessary to preserve our planet. But also an opportunity, because sustainability creates value – for the company and for the world.

At SABIC, sustainability is in our corporate DNA. Founded in 1976, the company was founded to discover valuable uses for natural gas that was then being uselessly flared off.

From a handful of employees, SABIC has today grown into a \$50 billion enterprise and one of the world's leading petrochemical companies.

Because we depend on finite natural resources, we are obliged to use them wisely. But energy and resource efficiency also lowers operating costs. That knowledge is what drives our sustainability priorities, which is why we are integrating them directly into our business strategy.

We have set goals to reduce greenhouse gases (GHGs) and energy intensity by 25% by 2025, from a 2010 baseline. Since 2010, we have reduced our GHG intensity by 5%,

our energy and water intensity by 7% each, and flaring emissions by 50%.

Our operations recaptured and reutilised 2.7 million tons of carbon dioxide (CO<sub>2</sub>) in 2014. And we are on track this year to open our path-breaking carbon capture and utilisation project in Jubail, Saudi Arabia. It will purify around 1,500 tons of raw CO<sub>2</sub> daily, and we project it will save as much as 500,000 tons per year.

Our stakeholders have their own sustainability goals. Through technology and innovation, SABIC helps them find their own solutions – embedding sustainability across the value chain. For example:

- SABIC products such as LEXAN™ allow component designers for planes, trains and automobiles to improve fuel efficiency, reduce weight and CO<sub>2</sub> emissions, while simultaneously meeting safety standards.
- We worked closely with the International Sustainability and Carbon Certification (ISCC) organisation to demonstrate that polyolefins for packaging made

from renewable feedstocks were more sustainable than those made from traditional feedstocks, while offering equivalent performance.

- Our innovative agri-nutrients are designed to be used on specific crops in specific geographies, releasing fertiliser only when the plants require it. Farmers thus use less fertiliser, while at the same time producing more food.

Action against climate change is an increasingly important factor in customer decision-making. And people won't work for SABIC unless we protect the planet – while at the same time raising living standards.

At SABIC, we believe in 'Chemistry that Matters™'. Sustainability, we believe, must be built into the business model. Any company that understands this basic reality will create more value for its shareholders, its employees, its customers and the world.

*Read more about SABIC's sustainability efforts at [www.sabic.com/sustainability](http://www.sabic.com/sustainability)*





# Taking the lead in international climate efforts

— Ahead of the most highly anticipated climate change summit in years, G20 leaders are uniquely positioned to drive commitments to limit global warming to 2°C and lead international support for ‘green’ development, writes Parker Liautaud, One Young World Ambassador



One Young World Ambassador Parker Liautaud is a polar explorer and a Fellow at the Yale Climate & Energy Institute. Engaging the next generation of conservation leaders, he has worked closely with the United Nations Foundation on the communication of climate science, and has been named on *Time Magazine's* 30 Under 30 list of people changing the world.

@OneYoungWorld

www.oneyoungworld.com

**T**he G20 summit in Antalya marks the final major gathering of world leaders before the start of the annual session of the Conference of Parties to the United Nations Framework Convention on Climate Change (UNFCCC) in Paris – COP21. It is the most highly anticipated climate change summit in years and the last chance for the UNFCCC to limit global warming to safe levels. No one should underestimate the potential for the G20 to deliver a substantive climate agreement.

Most of the UNFCCC's members have already submitted their Intended Nationally Determined Contributions (INDCs) ahead of COP21. Despite monumental efforts from the UNFCCC, individual states and the private sector, the cumulative emissions cuts do not come close to what is needed to limit global warming to 2°C – the ceiling agreed at the Copenhagen climate conference in 2009. Current INDCs would reduce world greenhouse gas emissions from 68 gigatons of carbon dioxide-equivalent (GTCO<sub>2</sub>e) in 2030 to 56.2–59.1 GTCO<sub>2</sub>e.

Emission reductions need to more than double from the current commitments in order to meet the Copenhagen target.

## A force for change

This level of cuts may seem daunting. One weakness is that the UNFCCC must balance the diverging interests of nearly 200 countries. An informal group, the G20 can help focus the international negotiating process. It can be a powerful force for collaboration against a global threat that a handful of its members effectively created.



G20 members account for just under 80% of global carbon emissions (34,590.5 MtCO<sub>2</sub>e), as well as most of the potential reductions in emissions between now and 2030. The group also brings the wealthiest countries together with major developing economies such as Mexico, Brazil and Indonesia. The countries whose emissions really matter in the fight against climate change are all represented in the G20.

## The decarbonisation of the global economy

The timing of the Antalya Summit provides an unparalleled opportunity to ensure that its important members prepare themselves to sign an agreement when their representatives arrive in Paris. While the UNFCCC focuses entirely on a positive outcome at the end of this year, the G20's priorities extend far beyond this. No one can predict how two weeks of climate negotiations will shape the eventual outcome, but if the submitted INDCs accurately predict that outcome, the question that remains for the international community is how to bridge the gap between existing commitments and the measures needed to limit global warming to 2°C. It is not a question for after the ink dries on the deal made at COP21. It must be answered now, and the G20's role is critical.

Earlier this year, at Schloss Elmau in June, G7 members committed to decarbonise by the end of this



ISTOCK IMAGES

century – a landmark pledge that signals a serious commitment to tackling climate change. Mobilising capital into the low-carbon economy at a sufficiently fast pace will require targeted government policies that correct the forces of short-term corporate decision-making and encourage the private sector to act. Carbon pricing has gained theoretical momentum in recent years, and programmes have either already been implemented or are being considered in several G20 members, including China, the European Union, Canada, South Africa, Mexico, Japan and the United States. The challenge for pricing programmes is not only to cover a significant proportion of global emissions, but also to implement a price that is steep enough to make a difference. It remains unclear how pricing policies will evolve in the coming years – but at the very least, what used to be a politically toxic proposal is now increasingly considered a crucial mechanism for accelerating the transition to a low-carbon economy.

Carbon markets around the world may remain fragmented for many years, but if the G20 commits to strengthening national carbon markets and pricing laws, it could bolster the climate process at precisely the most important time – just before COP21. Such a commitment would send a signal to the private sector that it can expect clear direction in the evolving economics of

Cumulative commitments to cutting emissions from states and the private sector do not come close to what is needed to limit global warming to 2°C – the ceiling agreed at the Copenhagen climate conference in 2009

carbon, and clarify an international commitment to the large-scale private sector. Most importantly, it would send a necessary message to the rest of the world that, whatever the outcome of COP21, major countries fully intend to tackle climate change.

### Ineffective subsidies

As a group of cooperating governments, G20 members can also hold each other accountable for the commitments they have already made. At the 2009 summit in Pittsburgh, the leaders committed to “phase out and rationalise over the medium term inefficient fossil fuel subsidies” – subsidies that the International Monetary Fund notes are “a highly inefficient way to provide support to low-income households”. This was reinforced in the G7 communiqué after the Schloss Elmau Summit. Unfortunately, G20 governments

## G20 governments still spend \$88 billion per year subsidising fossil fuel exploration

still spend \$88 billion per year subsidising fossil fuel exploration. One step they can take to support a successful outcome at COP21 and get closer to decarbonisation by the end of the century is to present concrete plans to get rid of ineffective energy subsidies. This would fall squarely into Turkey’s focus on climate finance – eliminating these subsidies would liberate capital to be invested into climate control efforts.

A full discussion of climate finance at Antalya should also address the state of the Green Climate Fund (GCF). The United States has still not delivered its pledge of \$3 billion. Japan (which pledged \$1.5 billion), Australia (\$186.9 million) and Canada (\$277 million) have not delivered any portion of their pledges either, while Korea has only signed \$14.2 million of the \$100 million it pledged. Only France and Germany have signed the full amount of their pledges. This money was intended to support developing countries in mitigating the effects of climate change. The leaders will have to face their colleagues in the G20 whose countries would be recipients of this money. Following through on pledged funds would reinvigorate climate efforts, as well as boost faith in the UNFCCC, which requires committed international backing to be successful. This may seem idealistic, but it is an important priority that the G20 should focus on.

The G20 summit comes at a critical juncture in the global fight to control climate change. Its members could play a pivotal role in the acceleration of climate policy and finance. If the G20 members can commit to holding each other to a high standard, and to stand for climate justice, they could exceed expectations at COP21 and beyond. ■

# Bringing power to the people



PHOTO COURTESY SKYPOWER

**T**he solar industry is expanding exponentially and its potential outlook is nothing short of remarkable. In 2014, a record amount of solar power – over 40 gigawatts (GW) – was added to the planet’s energy grids, taking the world’s total cumulative solar capacity to 178GW, or 100 times higher than in 2000. The United Kingdom and Germany led the charge, adding around 7GW to Europe’s solar capacity by installing 2.4GW and 1.9GW respectively, followed by France with an increase of about 0.9GW.

But the uptick in photovoltaic (PV) installations is not limited to Europe – it is happening all around the world. Internationally, China, Japan and the United States are leading the current growth in the industry, adding 10.6GW, 9.7GW and 6.5GW respectively of installed capacity in 2014. Korea’s market doubled to more than 0.9GW, and South Africa installed 0.8GW.

SolarPower Europe, formerly the European Photovoltaic Industry Association, estimates global cumulative solar capacity will continue its rapid growth and could reach between 396GW and 540GW by 2020.

Furthermore, two reports issued by the International Energy Agency in 2014 suggest that by 2050 the sun could be the planet’s largest source of electricity, ahead of fossil fuels, wind, hydro and nuclear.

Such significant advances have renewable energy associations and analysts stating that the solar power industry has reached a tipping point, which will open the way to a new wave of investment.

With large-scale emerging solar markets attractive to private businesses, due to their real potential, governments have an opportunity to leverage private investment capital to achieve their economic goals.

## The greatest wealth creation opportunity

The utility-scale solar industry is the most profitable and fastest-growing industry in the world today, and creates more jobs than any other energy sector. It is the greatest wealth creation opportunity of this generation.

Furthermore, the current trends in the market provide an opportunity for long-term growth that will allow solar energy to become more affordable. In the past three years alone, we have seen a 75% drop in the price of solar. And increases in efficiency will continue to have a beneficial impact on price – today, solar panels are on average 16-17% efficient, whereas by the year 2020, that figure may reach 20%.

SkyPower’s intention is to energise emerging markets and to ensure that the purchasing power we currently enjoy may benefit other countries. Competitively

bidding for solar projects in emerging markets means bidding responsibly and bidding with confidence in our ability to deliver projects on time and on budget. We believe that by leveraging the volume of bids and the volume of purchasing in the world, we can drive down the price of solar energy to a point where electricity is accessible to those who currently go without.

SkyPower focuses on bringing new power to emerging markets – not replacement power – because we believe that in doing so, we can make the biggest positive impact on humanity. We are pioneering these markets in a way that ensures opportunities for solar energy and accessibility, which becomes the foundation of a particular country’s foray into renewables. Once these markets open up, we are hopeful that competitors will come in to further grow them. SkyPower believes that together with forward-thinking leaders in emerging markets we can make clean electricity available to all who need it, eliminating the lottery of birth, and doing so in the fastest way possible.

To break down the barriers to universal access, we calculate and determine the best strategy to implement solar power in a particular country as quickly as possible. The beautiful thing about solar energy is that you do not have to wait years to upgrade grids and spend billions of dollars. By installing thousands of solar panels in

a field, a village can instantly have access to energy, which translates into cooking without hazardous kerosene, clean drinking water, the ability to read at night and rapid economic growth.

Often, corporate commitments are very long in words but short in actions. At SkyPower we work together with governments to identify key starting-line issues for immediate attention. Our corporate social responsibility programmes provide deserving families and children with immediate access to energy.

### Generating brighter futures

As a company, we are setting an example, with a firm commitment from our leadership and team members to give back to the countries and communities where we do business. As such, SkyPower and our leadership donate a portion of our yearly operating revenues.

Over the past two years, through SkyPower's corporate responsibility initiative SkyPower Cares, more than 5,000 portable solar-powered desk lamps were distributed to students from South African and Tanzanian families with little to no access to electricity. These donations have brought more than 7.3 million hours of light per year to students who now have the ability to study into the dark evening hours without the use of kerosene lanterns, translating into brighter futures.

## Sustainable development is part of SkyPower's DNA

At the sixth annual Global Entrepreneurship Summit this past July in Nairobi, Kenya, an initiative by President Obama to foster entrepreneurship around the world, SkyPower signed a landmark \$2.2 billion agreement with the Government of Kenya to develop 1GW of solar projects. SkyPower then doubled that commitment to Kenya at the 70th United Nations General Assembly in New York, bringing the total to 2GW and \$4.4 billion. Under the guidance of the government, SkyPower will distribute two million SkyPower Home solar kits to homes in Kenya currently without access to electricity, providing basic electricity to those whose light ends at twilight. In addition, SkyPower will donate 3,600 LED streetlights for roads, which will provide

light in areas for children to play and families to gather.

In separate business conducted during the UN General Assembly, SkyPower made a historic announcement with Prime Minister Hasina, unveiling its plans to build 2GW of utility-scale solar energy projects over the next five years in Bangladesh, representing an investment of \$4.3 billion. As part of this historic moment for Bangladesh, SkyPower also announced that our company will donate 1.5 million SkyPower Home solar kits to the people of Bangladesh over the next five years.

In India, where SkyPower has been awarded seven state utility-scale solar energy contracts, our company will fund the creation of a new renewable energy scholarship programme, providing 10 scholarships per year over 25 years to the Indian Institute of Technology, NIMS University and EMPI University. The merit- and needs-based scholarship programme will benefit 750 Indian students pursuing higher education in renewable energy technology. SkyPower's commitment to build 18GW of renewable solar energy projects in India represents the single largest corporate commitment in the history of photovoltaics.

Also during this year's UN General Assembly, SkyPower made a historic announcement with President Juan Carlos Varela of Panama, unveiling its plans to build 500MW of utility-scale solar energy projects over the next five years in the Central American country, representing an investment of \$1 billion. SkyPower will also construct a \$50 million world-class solar and environmental research centre there, which will be dedicated to the advancement of solar PV innovation. Furthermore, SkyPower will fund 250 scholarships for Panamanian students studying in the fields of solar technology and environmental sustainability. SkyPower is proud of its commitment to sustainability and youth education, and has made a landmark commitment to sponsor a school for each megawatt of solar panels it installs on Panamanian soil.

Developing countries and their emerging markets have the opportunity to leapfrog old, expensive and dangerous forms of power generation. Those who have never had access to electricity can now lead the world toward a greener future. Thus, providing power to people living in darkness with solar energy means an improved quality of life – not only for citizens of the world, but also for the planet itself.

As part of our business leadership on climate change, SkyPower is proud to be a Strategic Champion of the Caring for Climate initiative, launched by UN Secretary General Ban Ki-moon.

### Toward a greener future

Sustainable energy and international development is part of SkyPower's DNA. As a signatory of the UN Global Compact, we support the UN's Sustainable Development Goals (SDGs) with an approach that is completely integrated into our core business. Working with SkyPower means working toward achieving the UN's goals because, directly or indirectly, solar energy development touches on 13 of the 17 SDGs. SkyPower's efforts are most notable with regard to SDG number 7: Ensuring access to affordable, reliable, sustainable and modern energy for all.

In August 2014, SkyPower formally aligned with the UN Business Leadership Criteria on Carbon Pricing, signalling its support of carbon pricing as a necessary and effective measure to address climate change. SkyPower is a committed advocate of carbon pricing or corporate rewards as compelling incentives to consciously curb emission levels.

As people fight to put in place carbon-based taxes and legislation, that's only half the equation. We need to focus the other half of our efforts on putting in place bonds and low-cost financing to give people in developing countries a brighter future for generations to come.

SkyPower has taken an active and ongoing role in events leading up to and including COP 21 in Paris. By providing solar power to developing nations, and specifically to those who are not currently able to afford it, SkyPower works tirelessly every day to bring power to the people.

Join us in generating a brighter future and contact us at:

[executiveteam@skypower.com](mailto:executiveteam@skypower.com)

+1 416 979 4625

[www.skypower.com](http://www.skypower.com)

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# Global climate challenges: assessing the G20's response

— The G20 has implemented a number initiatives for green growth in recent years. With climate change high on the 2015 summit agenda, Antalya must build on this momentum, writes Ella Kokotsis, Director of Accountability, G20 Research Group



Ella Kokotsis is the Director of Accountability for the G20 and G7 Research Groups. She has consulted with the Canadian and Russian governments, and is co-author of *The Global Governance of Climate Change: G7, G20 and UN Leadership*.

@g20rg

www.g20.utoronto.ca

When the G20 began meeting at the leaders' level in 2008, it had the distinct advantage of adding the energy producers of Australia, Indonesia and Saudi Arabia as well as numerous emerging demand powers. Climate change was an issue at the first G20 leaders' meeting in Washington DC in 2008, although limited in scope. It secured more attention at London in April 2009, peaking at Pittsburgh in September 2009, and then receding somewhat at Toronto and Seoul in 2010. By this time, climate change mitigation had become a joint venture of both the G8 and G20.

Beginning at the Cannes Summit in 2011, the G20 started to take up a number of climate change initiatives within the broad context of green growth. For the first time, the G20 mobilised support for innovative financing for climate change and committed to promoting low-carbon development strategies in order to optimise the potential for green growth. The G20 also stressed the relationship between energy and climate, devoting a section of the final declaration on the enhancement of energy markets through "improved energy efficiency and better access to clean technologies, to achieve strong growth that is both sustainable and inclusive".

The G20 continued to address energy directly and integrate it with environmental and climate concerns the following year in Los Cabos, where the leaders reiterated their Pittsburgh commitment to phase out "inefficient fossil fuel subsidies that encourage wasteful consumption". Here, they also created the first ever G20 study group on climate finance to consider ways to mobilise resources to help "transform economies towards a climate-friendly path".

At the 2013 St Petersburg Summit, G20 leaders devoted more than 10% of their final declaration (13 of 113 paragraphs) to sustainable energy policy



and the fight against climate change. Their most prevalent commitment came in the context of a post-Kyoto control regime, where the G20 agreed to work towards "the successful adoption of a protocol, another legal instrument, or an agreed outcome with legal force under the convention applicable to all Parties by 2015".

And in 2014 in Brisbane, climate change and energy issues continued to garner significant attention by G20 leaders, with US President Barack Obama announcing on the eve of the summit a plan to spearhead a \$3 billion campaign for the Green Climate Fund. Obama encouraged other states to get on board and praised Japan for pledging \$1.5 billion towards this global initiative.

## Supporting the COP21 process

The final G20 Brisbane communiqué reiterated the leaders' intent to adopt a protocol, with legal force, applicable to all countries at the 21st Conference of the Parties (COP21) in Paris in December 2015. Summit leaders encouraged any countries that were ready to communicate their nationally determined contributions in advance of COP21 to do so. At time of press, every G20 member except Saudi Arabia has submitted its Intended Nationally Determined Contributions to the United Nations climate change secretariat.

Also encouraging is the action taken since Brisbane by the world's largest polluters. China's announcement in June 2015 of its ambitious climate partnership with the European Union emphasised "the importance of accelerating the implementation of climate action between now and 2020", and urged developed countries to "mobilise enhanced financial support to developing



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countries for ambitious mitigation and adaptation actions”. As China is the world’s largest emitter, its pledge to ensure that its carbon emissions peak by 2030 was hailed as historic and sent a powerful message to the world that other countries, developed and developing alike, could similarly do their part.

The United States, the globe’s second largest carbon polluter, announced its Clean Power Plan in August 2015, which details standards and accountability measures for states and power plants to cut carbon pollution responsible for driving climate change. The US plan establishes concrete emission guidelines to reduce greenhouse gas emissions from existing electricity-generating units fired by fossil fuels by 2030.

### G20 contributions at the Antalya Summit

The G20 has repeatedly demonstrated that its climate and energy commitments do count. Between its inception at the leaders’ level in 2008 and 2013, the G20 has produced 41 discrete climate- and energy-related commitments, with a steady increase. Of the 25 core climate and energy commitments assessed by the G20 Research Group at the University of Toronto, compliance has occurred 88% of the time – the highest of all G20 issue areas assessed.

G20 leaders meeting in Antalya have a unique opportunity ahead of COP21 in Paris to continue this positive momentum. Record-breaking global temperatures, melting polar ice caps and devastating natural disasters resonate loudly with world leaders, underscoring the need to act now. A low-carbon future is possible, but only if world leaders can provide the certainty to secure it. Representing the bulk of the

G20 members, including China and the United States, have this year made progress towards reducing their national carbon emissions

world’s total emissions, the G20 is uniquely poised at Antalya to secure the commitments needed to move towards a carbon-neutral world. This means, however, building on new growth models that link climate and the economy and provide assurance to businesses and banks that investments in low-carbon technology can generate long-term prosperity.

The first-ever meeting of G20 energy ministers in Istanbul on 2 October 2015 was a positive step in

## The G20 is uniquely poised at Antalya to secure the commitments needed to move towards a carbon-neutral world

this direction, as it affirmed the G20’s commitment to “inclusive energy collaboration”. The ministers addressed a number of energy principles, including those tied to better access, renewables, transparency, clean energy technologies and the phasing out of inefficient fossil fuel subsidies. Their commitment to support the implementation of these principles “through the G20 in the years ahead” underscores the important contribution of the G20 in furthering cooperation with regional and global energy institutions. With an eye to the COP21 meetings in December, the G20 in Antalya can build on this momentum through its shared recognition that the Paris meeting can create a credible path in uniting the world to take strong and effective collective action on tackling climate change. ■



# A plan for action on food security

— If the G20 leaders accept the Action Plan on Food Security and Sustainable Food Systems, it will send an important political message, writes Kutbettin Arzu, Minister of Food, Agriculture and Livestock of the Republic of Turkey



Kutbettin Arzu became Minister of Food, Agriculture and Livestock of the Republic of Turkey on 28 August 2015, having been appointed Deputy Minister in 2011. A member of the Justice and Development Party, he was first elected in 2007 and became a member of the Grand National Assembly of Turkey for the 23rd term. He was a candidate for Diyarbakir Metropolitan Municipality in the 2009 local elections.

[www.tarim.gov.tr](http://www.tarim.gov.tr)

**A**griculture is one of the most important sectors contributing significantly to the Turkish economy. This is thanks to effective, determined policies and strategic support given to agricultural producers, coupled with efforts to make structural changes and transformation.

Over the last decade, several favourable developments have been observed in Turkey's agriculture, which has experienced the most stable period of the past 50 years.

Turkey has become an exporter country today, supplying 1,781 kinds of agricultural products to 193 countries. With its agricultural gross domestic product reaching \$61 billion, Turkey ranked seventh in the world and first in Europe.

The agriculture sector satisfies the food needs of 78 million Turkish citizens and 40 million tourists. The export of agricultural products was \$18.8 billion in 2014.

As one of the most important challenges on a global scale, food security has remained a priority on the G20 agenda

since Turkey began its presidency, after Australia's Summit in November 2014.

Although the G20 is an economic platform, food security has been an important issue on its agenda since the 2008 global food crisis. Comprising 19 countries that play an important role in the global economy, along with the European Union, the G20 is a strategic actor in seeking a solution to this challenge.

Convened for the second time in the history of the G20 in May 2015, the Agriculture Ministers' Meeting in Istanbul offered the opportunity to exchange favourable views on agriculture and food security among the G20 members, international organisations, observer countries and other invited countries.

Turkey's agriculture ministry hosted this important international meeting, with the participation of agriculture ministers from 13 countries, deputy ministers or deputies from 10 countries, and presidents and deputies from eight international organisations. They agreed on a communiqué on food security and sustainable food systems. The communiqué covers actions to reduce food losses and waste in the interest of establishing sustainable food systems. It also covers enhancing employment and income in rural areas by improving the participation of female and young farmers in the agriculture sector; reducing poverty; stressing the role of the private sector in improving sustainable efficiency by focusing on the needs of small enterprises and farmer families; and other issues of importance to G20 members.

The communiqué requests that a G20 Action Plan on Food Security and Sustainable Food Systems be prepared for final approval by the leaders at their summit in Antalya in November 2015. The G20 leaders' possible acceptance of this action plan will not only provide visibility and awareness for food security, but also show that the G20 does not remain silent on this issue, which is important for the entire world, and developing countries in particular.

This important political message will also certainly contribute significantly to global activities. The potential of the G20 – which represents two-thirds of the global population, 75% of global trade, 85% of the global economy and 70% of global agriculture – to solve global problems in the agriculture sector will be placed once more on the global agenda at the Antalya Summit. ■

G20 agriculture ministers have recommended that G20 leaders implement the Action Plan on Food Security and Sustainable Food Systems at their Antalya Summit



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# Extending social protection to end poverty and hunger

— The benefits of achieving zero hunger for all by 2030 can only be gained through immediate and determined action that responds to food security issues, says **Ertharin Cousin, Executive Director, World Food Programme**



Ertharin Cousin began her tenure as the Executive Director of the United Nations World Food Programme in 2012, and has more than 25 years' international non-profit, government and corporate leadership experience focused on hunger, food and resilience strategies. In 2009, having been nominated by US President Barack Obama, she became the United States Ambassador to the UN Agencies for Food and Agriculture, and Head of the US Mission to the UN Agencies in Rome.

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**T**he global goals set the bar for sustainable development deservedly high – to end poverty and achieve zero hunger by 2030. In setting this ambitious target, leaders from every corner of the world established two important precedents. First, they acknowledged that persistent failure to end poverty and hunger will render global peace and stability forever elusive. Second, by giving just 15 years to this important task, leaders confirmed that ending poverty and hunger is both urgent and achievable – with comprehensive, collective and determined action.

Without question, increased investment in social protection is vital to the fulfilment of the goals' promise. Social protection systems are critical vehicles to end both poverty and hunger – a fact fully recognised by the G20 Food Security and Nutrition framework. By fostering people's own unique abilities to participate in their society and economy, social protection delivers a multitude of beneficial outcomes. Evidence clearly demonstrates adequately resourced and well-designed social protection systems not only directly reduce hunger, but they also facilitate better nutrition, health and education outcomes with significant social and economic dividends.

Social protection has long been at the core of food security policies successful at reducing hunger and poverty. Since the beginning of the 20th century, government-based systems in both developed and developing countries have enabled people to access food sufficient to meet their minimum dietary requirements

while simultaneously acting as a critical source of protection for people exposed to recurrent shocks and to those suffering from chronic socio-economic vulnerabilities. To ensure nationwide durable benefit from economic growth, developing country governments increasingly recognise they must allocate additional resources to reach and assist those most in need, who might otherwise be left behind.

Currently more than 1.9 billion people in low- and middle-income countries benefit from social protection. Protection takes many forms and can include conditional and unconditional cash-based transfers, food and in-kind transfers, school feeding programmes, public works schemes and fee waiver programmes.

## The multiplier effect

Because of proven high-returns, governments increasingly utilise cash-based transfers specifically designed to tackle the underlying causes of hunger and malnutrition. In addition to improving food security and nutrition, cash-based approaches also result in major economic benefits. Evaluations of cash-transfer programmes in countries as diverse as Ethiopia, Malawi, Mexico, India and Colombia have demonstrated economic multiplier effects of two to three dollars for every single dollar distributed.

Most programmes can be easily adapted to promote food security and nutrition. For example, the integration of nutrition-specific and nutrition-sensitive activities within safety net programmes can dramatically accelerate progress in reducing undernutrition. In the Dominican Republic, the World Food Programme (WFP) collaborated with the government to integrate nutrition components into the national Progresando con Solidaridad scheme. By introducing nutrition education, growth monitoring and micronutrient supplementation for children aged six to 59 months, the prevalence of anaemia in children dropped by 50% within just two years.

Given the short time frame required to reach the goals, existing schemes must be rapidly revised and expanded, while new schemes must be promptly deployed. Once again, the evidence proves it is possible to rapidly extend protection to everyone in need. In 2013, India introduced the National Food Security Act, which made the right to food legally enforceable. A rights-based policy, the act was designed to provide staple foods for more than 800 million people throughout the country. It has now become the largest food safety net in the world. India's example demonstrates it is possible to rapidly extend cover to everyone in need, while also introducing specific measures to improve food security and nutrition.

Social protection has also proven its worth in times of crisis. Well-designed systems are quickly adapted and deployed during emergencies. To ensure a smooth and well-coordinated nationally led response, WFP works with governments by building national and local capacities to respond, strengthening resilience to shocks, and – when possible and appropriate – complementing national implementation capacity.

When Typhoon Haiyan struck the Philippines, much of WFP's response was delivered through the existing national system. Despite the widespread damage to infrastructure, WFP and its partners were able to reach 2.8 million people with assistance within the first 30 days of the response.

Given the impact of such programmes, extending social protection and adopting a nutrition-sensitive approach are both effective and efficient means of promoting long-term development while addressing immediate food and nutrition needs.

Although it is too often considered an expense, social protection is in fact a high-return investment, which results in significant short-, medium- and long-term benefits for societies and the world at large. As rural incomes rise due to targeted, additional, pro-poor rural investments, individuals should experience a

annual investments will quickly enable people to lift themselves out of hunger.

Yet despite the relative affordability of extending social protection to everyone affected by hunger, many countries will likely find such investment beyond their reach. Commitment to adequate financing offers high return on investments (not expenses) for governments, with clear short-, medium- and long-term benefits for society at large. As rural incomes rise as a result of targeted, additional pro-poor rural investments, individuals should experience a corresponding decline in the amount of social protection support required. To overcome this, proposals to expand existing programmes and introduce new ones must be backed by a viable international financing framework.

Country-level growth led by public- and private-sector driven economic advancements improves



WFP/GIULIO D'ADAMO

corresponding decline in the amount of social protection programme support required.

The scale of investment required to expand social protection pales in comparison to hunger's devastating impact. Adequate investment will require multi-year financing as well as technical assistance. The recently published *Achieving Zero Hunger* report noted that to eliminate hunger by 2030, much more investment will be needed than the currently provided business as usual scenario. The report stated that an average of \$267 billion is required between 2016 and 2030 to fund social protection and additional targeted pro-poor investments. This price tag is just 0.3% of world economic output in 2014 – a sum representing less than 8% of hunger's estimated \$3.5 trillion yearly cost. From the total investment of \$267 billion, some \$116 billion is needed for social protection programmes each year, of which \$75 billion is required for rural areas – where most of the poor live. Making these

Specific outreach measures must be introduced alongside a doubling of current efforts to eradicate hunger by 2030

overall national food security and nutrition outcomes. Unfortunately, the benefits from country macro-level growth are not always equitably distributed or inclusive of those suffering from chronic food insecurity. For too many, this inequity of opportunity too often results in missed or uneven benefits.

To ensure more equitable opportunity derives from economic growth, governments must introduce specific outreach measures offering national social protection policies and systems. Eradicating hunger by 2030 requires a doubling of current efforts at the very minimum, because business as usual will not achieve zero hunger for all. Increased investments in nationally owned social protection systems are urgently needed to reach those furthest behind. Now is the time to pursue the elimination of hunger to the very end. If we act together, in partnership, we can build a prosperous and peaceful world for all the people and for the planet. ■

# Severing the lifeline of criminals

— Terrorist groups and criminals are exploiting emerging trends outside the traditional banking sector, and cooperation and coordination at leaders' level is essential in tackling and preventing financial crime, explains **Denisse Rudich, Director, G20 Research Group London**



Denisse Rudich is Director of the G20 Research Group's London Office. She has more than 15 years of experience working in the private and public sectors on financial crime prevention, including anti-money laundering, counter-terrorist financing, anti-bribery, and corruption and sanctions. She is currently a strategic advisor to senior management in a top-tier bank. She regularly attends G20 and G7 summits as a member of the G20 and G7 Research Groups' field teams, and is a contributor to Reuters.

@g20rg

www.g20.toronto.ca

**N**ews headlines in 2015 have highlighted that financial crime remains a global threat. It has a massive destabilising effect and illicit global fund flows continue to act as a lifeline for criminals exploiting volatile situations. The presence of Islamic State in Iraq and the Levant (ISIL) in Syria has contributed to tension between the West and Russia that is disrupting global financial markets and threatening the international system as a whole. Worth an estimated \$2 billion in 2014, ISIL has embraced an innovative terrorist financing strategy that combines traditional banking practices, zakat (based on Islamic almsgiving), oil smuggling using corporate structures, and new technologies to raise and disseminate funds.

Additionally, the refugee crisis has created business opportunities for migrant smugglers and human traffickers offering travel out of North Africa and the Middle East. Facebook has seen a proliferation of groups such as Smuggling into the EU (24,000 members) and Trafficking to Europe, which charges €1,700 (\$1,890) for transfer between Turkey and Greece. Children under five get a 50% discount. With ghost ships from Turkey netting \$4 million in profits per trip, it is no wonder

that human trafficking was identified as the third-largest illicit trade, amounting to more than \$20 billion in 2014. In addition to the financial cost, the human element is ruthless, with victims sold into slavery, prostitution or having their organs harvested.

Corruption lies at the heart of this. Despots taking bribes to award public contracts, such as those cited in the FIFA indictment, or stealing from the public coffers to line their own pockets not only undermine competition

and the principles of free market economics, but also lead to dissent and a desire for regime change among their people, as happened with the Arab Spring and in Syria. These are issues that cannot be addressed by nation states acting in isolation, and governments must think creatively.

## Illicit financial outflows

Composed of the world's largest economies, the G20 is well placed to tackle these issues. This year's summit hosted by Turkey presents an opportunity for leaders of the world's largest economies to continue to do what they do best: set the global agenda and create opportunities for cooperation and coordination beyond G20 membership in preventing financial crime. By working with international bodies such as the Financial Action Task Force (FATF), the Organisation for Economic Co-operation and Development (OECD), the World Bank and the B20, the G20 has a good track record in supporting the development of the global framework to tackle anti-money laundering and counter-terrorist financing (AML/CTF) and corruption. It has particularly played a key role in gaining buy-in from countries beyond the G7 by sponsoring the transparency of beneficial ownership and establishing the G20's Anti-Corruption Working Group (ACWG).

The research organisation Global Financial Integrity estimated that in 2012, \$991.2 billion left developing countries through illicit financial outflows.

## The World Bank estimates the cost of bribery and corruption at around \$1 trillion

Recognising the role that opaque corporate vehicles, nominee companies and trusts play in hiding and legitimising dirty funds and terrorist financing, the G20 requested that the FATF develop a new set of AML/CTF recommendations at the Cannes Summit in 2011. Issued in 2012, the revised FATF Recommendations called on countries to ensure that "adequate, accurate and timely information on the beneficial ownership and control" of legal persons and express trusts was available in order to promote transparency. At the 2014 Brisbane Summit, the G20 leaders adopted new High-Level Principles on Transparency of Beneficial Ownership, calling on all states to develop central registries to ensure that law enforcement, tax authorities and other relevant authorities can track proceeds of crime. This is a massive step in lifting the corporate veil and several countries have ratified this into local law already.

The World Bank estimates the cost of bribery and corruption at around \$1 trillion. In recognition of this, the G20 developed the ACWG at the Toronto Summit in 2010 to draft recommendations to allow members to lead by example in the fight against corruption. The ACWG includes members from the FATF, the OECD,

the World Bank and the United Nations Office on Drugs and Crime, and has significant engagement with the private sector and civil society, including the B20. Since its inception, it has developed various principles to tackle corruption, systematically involving stakeholders in the public, private and legal sectors. G20 leaders have endorsed the G20 Guide to Asset Recovery (2014), Principles on the Enforcement of the Foreign Bribery Offence (2013), and the G20 Compendium of Good Practices for Integrity in Public Procurement (2014). The principles provide a platform to standardise whistleblower protection, promote data sharing across legal channels, enhance public-private sector transparency and integrity, and tackle bribery and corruption in high-risk countries and sectors, such

of terrorism and terrorist financing are fundamental to disrupting terrorist financial flows. The FATF will deliver a report on this issue in November 2015. G20 finance ministers and central bank governors reaffirmed their commitment to detect, deter and disrupt human trafficking.

### Understanding the trends

The Antalya Summit offers G20 leaders a chance to continue doing what they do best: bring media attention to hard-hitting policy issues and get domestic support to be able to focus the resources and technical skills of the global community of international organisations, civil society, academia and private actors to tackle threats re-emerging in new guises. In the area of human



MUSTAFA CIFTCI/ANADOLU AGENCY/GETTY IMAGES

as the extractives industry and construction. What is unique about the ACWG is that when the G20 extended its mandate, it agreed that recommendations should be concrete, action-oriented and support G20 growth directly, which is evident in the well-drafted 2015-16 G20 Anti-Corruption Implementation Plan.

So what can the G20 do at its summit in Antalya to tackle financial crime?

Turkey indicated that during its G20 presidency, it would monitor the effective implementation of the 2015-16 Anti-Corruption Action Plan and work with relevant international organisations to enhance transparency in government-business relations. It incorporated anti-bribery and corruption within its theme of 'Enhancing Resilience'. The communiqué issued by the G20 finance ministers and central bank governors in September 2015 indicated that terrorist financing and human trafficking will be addressed at the G20 summit, although these issues were not formally listed as a priority. The communiqué reiterated the G20's resolve to tackle terrorist financing channels by working on ways to promote more transparency of financial flows and highlighted that "robust targeted financial sanctions regimes" and the criminalisation

Refugees are risking their lives at sea to reach Europe, and those operating so-called 'ghost ships' are netting millions of dollars in profits

trafficking, the G20 could broaden the ACWG's mandate and task it with building on the FATF's 2011 report on human trafficking and smuggling of migrants and develop an implementation plan. With regards to money laundering and terrorist financing, the G20 could also appoint a group to understand how emerging trends and technologies outside the traditional banking sector are being exploited by terrorist groups and criminals to raise and transfer funds. These include crowdfunding techniques to raise funds to finance terrorism, the rise of 'conversational commerce', mobile banking and the proliferation of digital currencies. At the same time, this group could be tasked with assessing how these technologies could also be used by law enforcement and policymakers for trends analysis and to track asset flows to disrupt criminal networks. Additionally, the G20 could also look at how the Global Forum on Transparency and Exchange of Information for Tax Purposes could be used to further support global crime investigations.

Effectively, only global coordination and cooperation, which the G20 should continue to lead, can work to disrupt flows of dirty money to ensure that crime does not pay. ■

# Good governance: building sustainable societies



**Dr Yilmaz Argüden**  
Chairman, ARGE Consulting,  
B20 Knowledge Partner

**A**s populations grow and mobility increases, the world continues to get smaller, our mutual interdependence increases and all institutions need to be able to mobilise the resources and goodwill of others to achieve their goals. Earning the trust of stakeholders is the key to mobilising resources towards a common vision and, therefore, the key to good governance and sustainable success is in ensuring that the principles of **C**onsistency, **R**esponsibility, **A**ccountability, **F**airness, **T**ransparency, and **E**ffectiveness are **D**eployed (CRAFTED)

throughout the organisation and its sphere of influence (stakeholders in the value chain, members, and the citizens).

The trust that must be built externally with stakeholders must first be created internally, if trust is to be robust. Openness in public and private institutions is essential; we must be confident that

inclusion, equality of opportunity as well as the capability of all members of society to determine an agreed set of social institutions that govern social interaction. Stakeholder engagement and creating equal opportunities in public and private institutions for all are cornerstones of building inclusive societies.

## Earning the trust of stakeholders is the key to mobilising resources towards a common vision

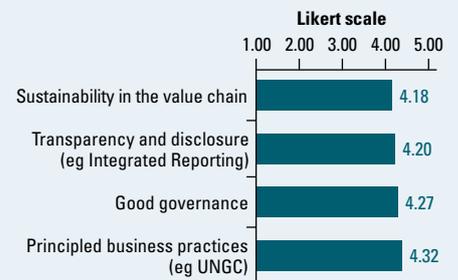
information is being openly shared and that differences of opinion are being openly discussed and resolved, while also making sure that a vision and core values truly penetrate every layer of each institution. Leaders could set the tone for successful implementation, which would encourage questioning and discussion at all levels of institutions and society.

Recent research findings show that societies thrive, in a sustainable way, when inclusion and innovation help to expand the circle of opportunity, and when strong governance standards lead to sound civic decision-making. Such an approach requires an open government, public consultations with stakeholders, impact assessments, evidence-based decision-making, rule of law, and continuous monitoring and improvement of results that are shared openly.

An **inclusive society** is a society that overrides differences of race, gender, class, generation and geography, and ensures

A **sustainable global economy** is one that combines long-term profitability with ethical behaviour, social justice and environmental care. Good governance is at the heart of a global sustainable economy. Business can play a fundamental role in creating a sustainable future by embracing this challenge as an opportunity for innovation and long-term value creation.

## Principles embraced by the business world



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- National leader in strategy, quality and institutional development
- Globally recognised for its governance expertise and CSR programme
- First Turkish signatory of the UN Global Compact



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# Active engagement and responsible behaviour

**M**ost businesses understand that their sustained success depends upon the economic, social and ecological contexts in which they operate. But the stability of those contexts can no longer be taken for granted. As sustainability issues have become more global and pivotal to success, businesses are realising that they cannot go it alone and there should be a collaborative approach among businesses, governments, and civil society.

The surveys we have conducted among the business taskforce members of the

and academic institutions would help to achieve the UN Sustainable Development Goals (SDGs) and would help to improve well-being and quality of life.

An emerging framework for such reporting is the **Integrated Reporting <IR> Framework**. An integrated report is a concise communication about how an organisation’s strategy, governance, performance and prospects affect its external environment and lead to the creation of value in the short, medium and long term, to best tell an organisation’s value-creation story.

## Good governance is a culture and a climate in which trust for institutions flourishes

B20 and the civil society organisations for the C20 had a clear message: both the business community and civil society support **principled business practices** such as **the UN Global Compact (UNGC)**, an initiative whose mission is to create a sustainable and inclusive global economy that delivers lasting benefits to people, communities and markets.

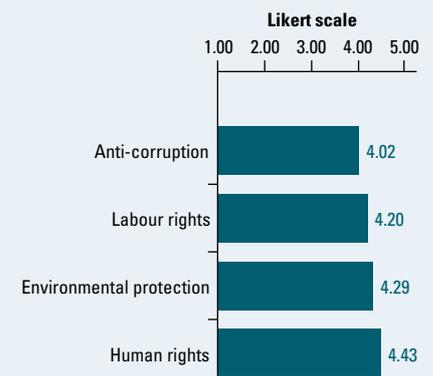
The UNGC is a voluntary initiative that calls for publicly reporting the performance of institutions on 10 principles, covering human rights, labour, the environment and anti-corruption issues. Implementation of the UNGC by businesses, civil society

and academic institutions would help to achieve the UN Sustainable Development Goals (SDGs) and would help to improve well-being and quality of life. Good governance is a culture and a climate in which trust for institutions flourishes. As stated in the post-2015 development agenda for the UN Sustainable Development Goals, “Building effective, accountable, and inclusive institutions at all levels” is crucial to enabling the effective, efficient and transparent mobilisation and allocation of the world’s resources.

The following recommendation has transpired from the surveys we have conducted for the B20 and C20: “Implementation of inclusive and sustainable development will depend

on the active engagement of the public, private, and non-governmental sectors, including but not limited to the increasing number of actors signing the UN Global Compact and UN Principles for Responsible Investments (UNPRI). Good governance and responsible behaviour by all actors should be established by creating a regulatory environment where transparency in the public and private sectors is the norm. Embracing reporting best practice and encouraging market-led initiatives, such as Integrated Reporting, focused on communicating value creation and sustainability performance across the economy would be the most effective way of improving transparency and building trust.”

## Civil society supports UNGC principles



### ARGÜDEN GOVERNANCE ACADEMY

The non-profit Argüden Governance Academy operates under the aegis of Bogazici University Foundation to:

- raise awareness of the role of good governance for quality of life;
- identify and disseminate best practices for good governance;
- provide education programmes for the next generation of leaders; and
- promote exemplary implementation of good governance.

The Academy served as a member of the C20 Governance Working Group



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Interview

## G20 must give more support to multilateral institutions

— International support is the backbone of work being carried out by organisations to tackle the world's biggest issues, according to former Canadian Prime Minister The Right Honourable Paul Martin

**Q** Last year, you said that the G20's biggest successes were the London Summit and the creation of the Financial Stability Board, which both arose out of the need to deal with the 2008 financial crisis. What have its biggest disappointments been?

**A** In my opinion it has been the failure to strengthen the world's great multilateral institutions, the best known example being the refusal of the United States Congress to follow through on the governance and quota reforms at the International Monetary Fund (IMF).

Unfortunately, the list does not stop there. The underfunding of the United Nations humanitarian agencies is a striking example of the same G20 lacunae.

The fact is that with 60 million people now displaced worldwide, the UN's humanitarian agencies are almost as starved for international support as the people they are trying to help. For instance, the World Food Programme (WFP) has been forced to make severe cuts to rations for millions of refugees and the UN High Commissioner for Refugees (UNHCR) says his "budgets cannot be compared with the growth in need", and that "we are financially broke".

The questions to ask here are straightforward. Why are the WFP and the UNHCR and indeed all UN agencies not better supported? In the same vein, why is it that countries close to a conflict bear so much of the cost of sheltering refugees, considering that they are already destabilised by the neighbouring unrest? In that context, how can faraway countries such as those in North America and elsewhere



## ***G20 leaders do not have the luxury of dealing only with a self-defined portion of globalisation***

continue to sit back and effectively pretend it is not their problem? Can the G20 remain aloof? Of course not, especially since the pain of untold numbers of young people who are raised in refugee camps bearing an understandable grudge against an unfair world will be paid for by our children and grandchildren.

Indeed, unless the world acts to confront the immediate human tragedy in a multitude of fragile and failed states, while the longer-term geopolitical answers are worked out, the cost to countless generations to come, including those in countries not directly affected, will make today's dilemmas look like a picnic.

A similar issue arising out of gross underfunding can be seen in the failure of the World Health Organization (WHO) to react expeditiously early in the Ebola crisis. Quite simply, the world failed to see that what appeared to be just another rural outbreak was a regional epidemic with pandemic potential.

After the SARS epidemic a decade ago, we were told that the world had learnt its lesson. Obviously it has not. One hopes that the G20 will learn from the Ebola experience before the next epidemic strikes, providing WHO with increased funding, giving it a strong mandate, enabling it to be a leader in surveillance, tracking diseases over the long term and laying out regional containment strategies for devastated communities when outbreaks occur.

In the same vein one hopes the G20 members and WHO will implement the innovative concept of advanced market commitments for subsidising vaccines. We are in a period of rapid bacterial and viral evolution from HIV/AIDS to SARS to Ebola. The G20 must equip the WHO with the means to surmount them and other diseases that may not even exist today.

**Q** Are there areas the G20 must act on over the next year, where China's presidency in 2016 could play a particularly important role?

**A** There are many, two of which are cybersecurity and climate change. Given the results of the meeting between the Chinese and American presidents in Washington in September, the issue of commercial cybersecurity is clearly something the G20 should address. China and the US reached "a common understanding", according to President Barack Obama, and "an important consensus", according to President Xi Jinping, to the effect that neither the US nor China would conduct or support "the cyber-enabled theft of intellectual property, including trade secrets and confidential business information for commercial advantage". The two heads of government also agreed they would put in place a law enforcement mechanism involving the US Attorney General and the Secretary of Homeland Security on the one hand, and the Chinese ministries of public security and state security on the other.

Obviously, there is still much to do to make this happen, and the agreement requires a much wider spectrum of countries to be involved. This provides an ideal opportunity for the G20, but it must act quickly if the leaders' handshake is to achieve its potential.

A similar US-China agreement brings me to climate change. Rarely has the opportunity for the G20 to act been as promising as it is now, given this November's G20 summit in Turkey occurring just before the UN Climate Change Conference in Paris in December. Surely the stars could not be better aligned for the G20 to provide

the UN with the momentum required for ultimate success. This is especially so since the next G20 summit will be in China less than a year later, providing the parties with the time to fill in the details such as the potential for carbon pricing to be equalised at the border by the World Trade Organization.

What is also important beyond the primary goal of reducing greenhouse gas emissions is that certain issues that have not been given sufficient recognition be given much greater attention – one such area being the global ocean, which the UN has resisted including, as evidenced by the draft documents for the Paris meeting in December that make no mention of the ocean.

This is short sighted, given that the global ocean provides 50% of the world's oxygen and, as the Earth's largest carbon sink, is being forced to absorb ever-larger quantities of carbon dioxide. The effects of this, from ocean acidification to the collapse of ecosystems and fish stocks, are causing irreversible damage. Compounding this is the flow of plastics pollution going unchecked, the effects of which could be catastrophic for human health and food security.

The importance of a healthy ocean goes without saying. Given its current state, there is no question that it requires more coherent and systemic oversight by the UN. To this end, the G20 must provide the leadership required.

**Q** You have raised a number of areas where the G20 should act, but what about the charge of 'mission creep' that is levied against the G20 agenda?

**A** The parameters of change are not limited to finance and economics. G20 leaders do not have the luxury of dealing only with a self-defined portion of globalisation. The charge of 'mission creep' does not hold up in a world where a failed banking system has grave social consequences and climate change has a devastating economic fallout. In a world where there will no longer be only one economic superpower setting the course, but three or four giant economies and a host of wealthy countries at the table, the global debate will not be limited to what should we do, but – as Turkey has argued – how will we get it done.

The answer to that question, as mentioned earlier, is through the world's multilateral institutions, which are having difficulty rising unsupported to the challenges they face. The fact is, institutions count. Anyone who doubts this has only to ask whether the Eurozone would be going through its troubles had it built the institutions that are required to make its monetary union work. ■

Paul Martin was Prime Minister of Canada from 2003-06 and Minister of Finance from 1993-2002. He was named the inaugural Chair of the Finance Ministers' G20 in 1999. Today, he is Chair of the Congo Basin Forest Fund, a British-Norwegian-Canadian poverty alleviation and sustainable development fund for the Congo basin rainforest, and works closely with the Advisory Council of the Coalition for Dialogue on Africa, sponsored by the African Union, the United Nations Economic Commission for Africa, and the African Development Bank. Martin is also a Commissioner for the Global Ocean Commission. Before entering politics, he was Chair and Chief Executive Officer of the CSL Group shipping company.

[www.paulmartin.ca](http://www.paulmartin.ca)

# Towards an earnest inclusion of all in the world economy

— Unemployment, poverty and marginalisation are some of the key concerns for people globally, say **Zeynep Bodur Okyay**, Chair, Civil 20 and **Meryem Aslan**, Country Director, Oxfam



Zeynep Bodur Okyay is Chair of the C20 Turkey Steering Committee. As President and CEO of Kale Group, she has also contributed to the science, culture and art of Turkey. Okyay plays active roles in many non-governmental organisations and holds several national awards.



Meryem Aslan joined Oxfam as the Country Director of the Turkey Office in 2013. She has 27 years of international experience with United Nations and civil society bodies. Aslan also has policy and programme coordination expertise.

Civil society's engagement with the G20 has dramatically improved in recent years. What started out as an informal engagement in 2008 has turned into an organised policy and advocacy platform formally recognised by the G20 during Russia's presidency in 2013. The Civil 20 (C20), one of the six formal engagement groups, seeks to communicate concrete and substantive policy propositions to G20 leaders in order to promote sustainable and inclusive development.

## Broad consultation

The C20 process in Turkey – the third C20 ever – is an important milestone in further institutionalising the group, and in establishing parameters for engagement. Informed by lessons learnt from Russia and Australia, C20 Turkey adopted a multi-stakeholder approach from the outset. In addition to facilitating broad-based consultation with civil society organisations from around the world and ensuring that the process is independent, open and transparent, the C20 has been running multiple dialogues with other official engagement groups including the B20, T20 and L20, while also negotiating terms of engagement with the G20 presidency.

From the outset, C20 Turkey has made engaging a broad spectrum of organisations from a wide range of countries a key goal so that global civil society concerns can engage with G20 processes. C20 Turkey convened organisations from 91 countries, representing almost 500 organisations and almost 5,000 individuals who have worked

together for the past year to develop joint, evidence-based policy propositions to G20 leaders for 2015. The work of the C20 to create such broad-based engagement is vital to developing representative, legitimate recommendations to promote sustainable development and tackle inequality. Strong civil society engagement is fundamental to ensuring the accountability of public policies and institutions. It fosters respect for the rights, dignity and privileges of all people, while helping to galvanise the political will of leaders to fulfil their obligations to their constituencies.

## Four priorities for 2015

In early 2015, C20 Turkey facilitated a consultation process to identify, the issues of greatest concern to women, men and young people around the world. Unsurprisingly, unemployment, poverty, lack of access to fundamental public services such as health and education, and exclusion from decision-making were the main concerns expressed. Based on this consultation, the C20 developed its agenda for 2015, which focused on four priorities: inclusive growth, gender equality, sustainability and governance (particularly international taxation and anti-corruption).

This focus was in response to the persistent inequalities that lead to marginalisation, including of women, people living with disabilities, ethnic and religious minorities, and people living in poverty. Inequality threatens growth by hampering the chances of integration into economic and social life by limiting opportunities, decreasing productivity, and creating obstacles in the geographic and social dispersion of development.

C20 Turkey's focus on inequality was translated into policy recommendations in many areas that underpin the G20's work on financial regulatory reform, transparent cross-border tax policies, infrastructure connectivity and global governance reform, which significantly affect disadvantaged and excluded citizens within and beyond G20 countries. The access available to women, men and young people to the benefits of growth is largely determined by these policies in an interlinked manner.

The G20's 2009 Framework for Strong, Sustainable and Balanced Growth addressed how, where and what growth the G20 is committed to achieve. Hence C20 Turkey's recommendations have tried to address the question of who growth is for. Its policy propositions indicate that this can only be done through focusing on growth that truly includes all.

In the current work of the G20, inclusive growth is equated with reducing income inequality; lowering North-South inequalities in income, access to energy and development; increasing equal opportunities such as access to education, social protection and finance; access to infrastructure; gender equality; and the need to internalise externalities in measuring growth. This equation can be observed in the national growth strategies that were developed as part of the G20's commitment under the 2014 Australian presidency

to increase growth by 2%. These strategies include measures that would not only promote growth, but also make it inclusive. Employment, increased investment in infrastructure, measures to address informality, social protection and social services, and reduced labour force exclusion for vulnerable groups are included in national growth strategies to ensure inclusive growth.

In particular, several specific measures promote women's labour-force participation: promoting affordable childcare services, including comprehensive and accessible pre-school opportunities for low-income families and after-school programmes; enhancing paid-leave conditions; introducing parental leave; enhancing women's representation in leadership positions in private and public sectors; addressing the gender wage gap; and increasing opportunities for women entrepreneurs.

### Advancing inclusiveness

Yet, despite commitments in successive G20 communiqués, individual national growth strategies rarely mention phasing out fossil fuel subsidies, energy efficiency, climate change action, specific support to the United Nations Framework Convention on Climate Change or finance for adaptation or mitigation. Instead, increasing energy self-sufficiency and security is the predominant feature.

Despite the long-term discussion and progress made so far, anti-corruption and the reform of national and international tax systems are generally considered important for increasing economic growth and competitiveness, but without sufficiently considering the inclusiveness of that growth or of social equality. The C20's policy propositions could help advance the discussion on inclusiveness, and ensure better linkages among the various policy fields and the need to address policies in a comprehensive, systematic and consistent manner. These recommendations were unanimously endorsed by the 500-plus civil society delegates at the C20 Summit on 15-16 September in Istanbul.

One major achievement of the C20 this year has been to facilitate a more broad-based, participatory

## The 2015 C20 Communiqué emphasises the rights to organise and to speak out freely against poverty, inequality and injustice

policy consultation and development process than ever before. Nevertheless, civic participation in international decision-making has not evolved in a linear fashion, nor has it been easily or fully granted. Instead, it requires constant negotiation and renegotiation of how civil society influences the social, economic and political spheres.

For this reason, the 2015 C20 Communiqué emphasises the rights to organise and to speak out freely against poverty, inequality and injustice, and

### Civil 20 recommendations to G20 leaders

**Inclusive growth.** Recommendations in six areas: devise inclusive growth strategies that explicitly target reducing inequality and track income growth rates of the poorest 40%; facilitate greater access to social protection and public services; operationalise a 'decent work' agenda; coordinate strategies for tackling development challenges for low-income developing countries; strengthen opportunities for civil society to contribute to G20 processes (including a permanent seat at G20 Employment and Development Working Groups); and develop a coordinated response to the plight of refugees.

**Gender equality.** Recommendations in four areas: recognise and reduce women's unpaid care work; champion gender-responsive budgeting and gender-equitable macroeconomic policies (such as progressive tax systems and securing women's property rights); establish legal and policy frameworks to eliminate gender-based wage gaps and occupational discrimination; penalise gender-based discrimination in the work place and implement gender quotas for employment, public procurements and representation on corporate boards up to 50%; implement policies that address the rights and well-being of women in the informal economy.

**International taxation.** Recommendations in six areas: consider the outputs of the base erosion and profit shifting action plan as the beginning of a longer, more inclusive reform process that could benefit all countries and ensure multinationals are taxed where economic activities take place and value is created; allow direct filing of country-by-country reports; create a multilateral mechanism for the automatic exchange of information; and agree to a high-level declaration to end all harmful tax practices.

**Anti-corruption.** Recommendations in six areas: publish a plan of action for implementing Beneficial Ownership Transparency Principles; ensure the legal right of access to public information and release a key data set; ensure transparency in procurement processes; implement the Los Cabos principles on asset disclosure by public officials; limit domestic immunities for public officials; and establish specialised, independent anti-corruption mechanisms to investigate and prosecute high-level corruption.

**Sustainability – climate change and energy.** Recommendations in four areas: agree on fair, equitable long-term emission reductions and commit to 100% renewable energy use by 2050; take the lead in supporting reliable, safe, sustainable and clean energy access for all by 2030; completely and equitably phase out fossil fuel subsidies by 2020; shift investment to clean energy; and significantly increase public climate finance to help the developing countries adapt to the impacts of climate change.

urges all G20 members to protect and facilitate the legal, political and social space so that civil society can exercise these rights without fear of retribution.

A renewed commitment by G20 members to protect civil society platforms where citizens can participate and hold governments and large corporations to account, coupled with collective action to act on this commitment, would place the G20 in a position of leadership in responding to the global demand for more inclusive, participatory and responsive systems of governance. Such transparent and inclusive governance systems across institutions and at all levels, including the G20, are essential conditions for implementing all policy measures necessary to address inequalities, including those arising from gender inequalities, climate change, corruption and unjust international tax systems, and to achieve an inclusive economic development that responds to the needs of all. ■

# Extraordinary times necessitate action from G20 leaders

— From questions of growth and inequality to the deepening humanitarian crisis in Syria, labour issues demand urgent attention, write **Ergun Atalay, Chair, L20 Turkey Steering Committee; Sharan Burrow, General Secretary, International Trade Union Confederation; and John Evans, General Secretary, Trade Union Advisory Committee to the OECD**



Ergun Atalay is the chair of the L20 Turkey Steering Committee. He is President of Demiryol-Is Union and the Turk-Is Confederation.

[www.labour20.org](http://www.labour20.org)



Sharan Burrow was elected General Secretary of the International Trade Union Confederation (ITUC) in June 2010.

[www.ituc-csi.org](http://www.ituc-csi.org)



John Evans has been General Secretary of the Trade Union Advisory Committee to the OECD since 1985.

[www.tuac.org](http://www.tuac.org)

**T**he L20 works closely together with the G20 to ensure that the G20 becomes a space for socially constructive and sustainable policy solutions. The Summit in Antalya will face more pressing issues than expected at the outset of Turkey's presidency.

Fragile economic growth, the global refugee crisis and open questions about policy delivery need to be addressed. The stakes could not be higher, and neither could the world's expectations. The G20 unites the major world economies and has the potential to create synergies that have positive effects on citizens worldwide.

If it does not, the G20 will face a credibility problem. Latest forecasts show that growth targets set in Brisbane in November 2014 are being undershot by as much as 3% of gross domestic product (GDP). In order to reach them by 2018, G20 economies would have to grow by double the initial target of an extra 1% per year.

The global trade-union movement urges the G20 to take coordinated action by prioritising investments in jobs, minimum living wages, collective bargaining, targets for youth employment and responsible investment.

## Growth and inequality challenges

A policy shift is needed: workers are still struggling with low wages, precarious jobs and inadequate social protection in the aftermath of the global financial crisis.

Most G20 policies have been perceived as having a negative effect on working

families, according to the 2014 L20 Tracking Report. It is important to reflect on whether G20 policies have the capability to resolve social and economic problems and if those policies are achievable. The starting point for this shift should be to put an end to austerity policies in G20 countries.

The L20's growth modelling shows that expanding public infrastructure investment by 1% of GDP across the G20 could create up to 3.8% more growth. Such investment should be sustainable, to encourage the creation of clean energy and green jobs and a just transition towards tackling climate change. In Antalya, a strong commitment to raise and set investment targets will therefore be crucial.

Private-sector infrastructure finance can play a role – as long as it does not threaten public services, and is based on fair and transparent risk-sharing between the public and private sectors. If governments intend to encourage the use of large pools of capital to finance long-term investment, they should also encourage industry-wide pension schemes that are based on collective bargaining.

This is not to say that promoting investment should become a free pass for unregulated and short-termist behaviour. Institutional investors need to observe responsible investment standards, use existing instruments, including the G20 High-Level Principles on Long-Term Investment, and ensure that all financial intermediaries, including asset managers, are held to account.

Caution is also needed with the G20's interest in promoting private-public partnerships (PPPs). In embracing PPPs and other forms of blended finance in developing countries and at home, G20 governments must lead by example and ensure full transparency and fair risk-sharing, whenever public money is used to support private finance. There needs to be better governance and monitoring structures, as well as consultations with all stakeholders, including trade unions and communities affected by the projects.

## Injecting purchasing power into economies

The proposed G20 Policy Priorities on Labour Income Share and Inequalities come close to the solutions outlined in the L20 checklist on fighting inequality. With the negative link between rising inequality and weak growth recognised, leaders must ensure that the priorities are implemented.

National policies need to be brought into line with the priorities, including strengthening labour-market



ALI IHSAN OZTURK/ANADOLU AGENCY/GETTY IMAGES

institutions, setting minimum wages, promoting the coverage of collective agreements, integrating vulnerable groups into the formal economy, delivering quality education and apprenticeships, and providing universal social protection, as called for in the joint statement by the World Bank and International Labour Organization.

This would also respond to the demands of the Turkish labour movement for the government to address the informal economy, regulate sub-contracting and strengthen collective bargaining. The L20 sees the Antalya Summit as an opportunity to raise these issues, which apply to many G20 members.

### Delivering on commitments

To be effective and to be seen as such, the G20 must follow up on agreed strategies, principles and policies. Coordination and policy coherence are essential to ensure positive effects on households. A credible follow-up of the inequality challenge will depend on the cooperation between finance and labour ministers in supporting aggregate demand and progressive tax- and benefits-systems. Nevertheless, governments are failing to link the G20 finance, employment, investment and development tracks.

The Base Erosion and Profit Shifting (BEPS) Action Plan demonstrates that the G20's strength could lie in swiftly following up on its broader commitments. While the L20 remains critical of some aspects, and will monitor the implementation process, the BEPS action plan still serves as a potentially positive example. However, the initial *raison d'être* of the G20 – financial reform – is still not complete, despite repeated promises to the contrary and persistent volatility in financial markets in recent times.

Proposed principles and frameworks on quality jobs and youth employment need to be underpinned by policy targets and monitoring frameworks. There must also be

Syrian refugees work on a farm in Turkey. The country is hosting the largest number of refugees, and will address the issue at G20 level during its summit in Antalya

effective follow-up on the '25 by 25' target to increase female employment by 25% by 2025. Given its relatively modest level of ambition, it would be disappointing if the target were not reached quickly, and if some G20 members were not to go further. Turkey is one of the countries to have increased female participation in its labour force. Many women stop working after giving birth, so investment in the care economy is vitally important in Turkey and elsewhere.

The same applies to the commitments made on safe workplaces, as poor and dangerous working conditions, especially along supply chains, cannot be tolerated. G20 governments must guarantee that home companies operating abroad observe good labour standards. This L20 concern has already been a top priority in Turkey beyond the G20. Despite the enactment of new occupational safety and health legislation and amendments in all related legislation, there have been dramatic workplace accidents, such as in the Soma Mine. At Antalya, it is thus very important to re-commit to achieving safer workplaces.

### Addressing the global refugee crisis

The Antalya Summit coincides with the huge flow of Syrian refugees into Turkey. There are currently more than two million. This crisis brings about social and work-related issues. A humanitarian perspective is required as refugees should have the right to work and live in decent conditions. Raising the issue at the G20 level in Turkey – the country hosting the largest number of refugees – is important. It is an opportunity to call for all countries to take on more responsibility.

There is no time to waste. No one can be aware of the bodies of dead children washing ashore yet sleep calmly. The G20 should commit to resettling refugees and asylum seekers, and should afford all migrants the right to work in the formal economy, with associated labour, social, political and cultural rights.

At Antalya, G20 leaders must also pave the way for longer-term solutions to human trafficking, slavery and forced labour, durable resettlement programmes, social protection and the right to work.

To ensure that the concerns of workers are heard, the L20 is organising its own summit on 13-14 November, on the eve of the G20 leaders' meeting. L20 trade-union centres will take stock of what has been achieved this year and will look towards the matters to be considered at the leaders' summit.

It is important for the G20 to listen to the voice of the social partners. This year, the L20 and B20 signed an ambitious agreement that sets out a series of demands to be put before G20 governments, as well as the fundamentals for labour and business cooperation. The resolution of major global problems requires social dialogue and collective bargaining.

We are just at the beginning of what could be a shift in the G20's focus, towards job-centred and inclusive growth and sustainable development. The G20 has the chance to set the world of work on a different trajectory – workers are looking for action that rises to the challenge of these extraordinary times. ■

# Youth 20: building a more successful economic future

— Youth around the world are finding commonalities in the issues they face, and together are adopting an innovative and cooperative approach to find solutions to the issues affecting them the most, writes Dr Emre Cenker, President, Youth 20



Emre Cenker is President of the Y20. In 2012, following his first active participation in the Y20 in France, he founded the Youth Commission for Diplomacy and Collaboration (YCDC), which aims to train young individuals to participate in civil society and discuss international issues. Before earning his doctorate, Dr Cenker worked as an executive manager and advisor in an automotive supply company in Germany. He is currently working as a postdoctoral research scientist and team leader at King Abdullah University of Science and Technology.

@Y20Turkey

www.y20turkey.org

**Y**oung people around the world are facing a multitude of problems that affect their daily lives and their chances to shape tomorrow's world. Although young people from different countries are not affected by these challenges in the same way, the striking commonality among the obstinately high levels of unemployment, conflict and climate change is that these are no longer local, regional or national problems: they have become global issues in both their scale and relevance. Global issues need global solutions, and thus, listening to the collaborative voice of young people is particularly important. Young people are passionate and creative, advancing innovative ways to create new businesses and clean industries, inspiring students to learn and fostering stronger cultures of peace.

The Y20, the official youth-engagement forum of the G20, came together this year in Istanbul for its third annual summit to tackle today's pressing issues in the most inclusive, innovative and cooperative way possible. The Y20 Summit was constituted to enable the young generation to speak up to the G20. This youth platform has the potential to fill key gaps in G20 policies. In delivering its recommendations to the G20 leaders, the Y20 urges them to

grant policy space to youth, as young people are the next generation of leaders.

Each year, Y20 delegates are carefully selected by national coordinating organisations, who are then endorsed by their own governments to represent their

young compatriots in an international procedure that closely follows the negotiation pattern of the G20 forum. Months-long online brainstorming talks are followed by a visit to the host country for the actual Y20 Summit, where delegates engage in discussions on several working panels, producing recommendations to complement the reflections of the G20. The outcome of this meticulous work is then refined by these participants into a final communiqué to be presented to the G20 leaders at their summit, as well as actively promoted by each youth delegation at the national level.

This year the Y20 Summit gathered more than 100 youth representatives, youth activists, young thinkers, young policymakers and young media-makers to try to give new momentum to evidence-based, inclusive, participatory and effective G20 policies. Not only did youth delegates from the G20 members discuss global issues together, but the invitation to find common solutions was also extended to low-income developing countries (LIDCs) – in this case Afghanistan, Madagascar, Mongolia and Vietnam. With this approach, the Y20 shows that dialogue and cooperation between developed and developing countries, as well as with LIDCs, are key to elaborating inclusive policy proposals. The Y20 Summit was aligned with the G20's 2015 priorities for maximum synergy; however, it advocated for continued expansion. This initiative of an extended agenda proved to be extremely effective: it is hard to imagine anyone more competent or suitable to address the challenges of the next generation than the brightest representatives thereof. This year, the G20's youth chose to tackle three major challenges: youth unemployment, education and the contribution of youth to peace.

## Key proposals to G20 leaders

The maxim 'what gets measured gets done' was emphasised this year by the Y20 delegates. In order to monitor progress on achievements, the first step is to set up precise indicators, and the second is to follow up and communicate on those indicators in a transparent manner. To address unemployment, the Y20 urges G20 leaders to adopt a concrete, quantifiable and collective 10-year target for the reduction of youth unemployment. The Y20 also explored the role of creating and improving digital accessibility for young people. Recognising that the jobs of today (and certainly those of the future) are deeply rooted in technology, young delegates recommended higher investment to bridge the digital divide, and provide universal access to basic infrastructure and the internet. Furthermore, the Y20 recommends that G20 leaders invest in and promote entrepreneurship education at secondary and tertiary levels; exchange programmes for entrepreneurs; and better financial conditions and a funding framework for entrepreneurs.

By understanding that education is key to promoting social mobility and tackling global poverty and inequality, this year's Y20 recommendations focus on the quality of education, not just on the quantity of provision. The recommendations include demanding an adequate supply of quality teachers, and urge the



HORIZONS WWP/TRVL/ALAMY STOCK PHOTO

A youth centre in Afghanistan provides study facilities for young people. The country was one of four LIDCs invited to this year's Y20 Summit

elimination of gender disparities and the development of basic infrastructure in public schools. Because young people in G20 countries and beyond face unequal opportunities in education and labour markets, Y20 delegates call on the G20 leaders to promote inclusive education and perceive it as a tool to foster positive social integration, cohesion and tolerance.

## Y20 delegates call on the G20 leaders to promote inclusive education

The world's attention is currently on the plight of refugees escaping the numerous violent conflicts raging in Syria and elsewhere. The Y20 agenda for youth's contribution to peace addresses the current situation of refugees and migrants. It recommends the recognition of migration as an international public good, with the proper reception of refugees in G20 member states, and full recognition of their rights. In light of the current refugee crisis, youth representatives proposed G20 leaders adopt a legally

binding global-resettlement programme to grant humanitarian visas in humanitarian emergencies.

The G20 is often fragmented, but its members should learn from each other's challenges and successes. Universality is the way forward. The Y20 urges the G20 to present actionable items, not hollow pledges that downplay the severity of crises and reduce world leaders' responsibilities.

### Beyond the Y20

The Y20, as the voice of young people, can dare to be more innovative and out of the box. It has adopted a cooperative approach with the interaction between LIDC youth and youth from developed and developing countries. Not surprisingly, the lively negotiations have shown that the new generation of upcoming leaders seems to be free from national biases and shows a great degree of mutual confidence and cooperation when confronting the challenges that affect youth, regardless of race or gender. Young people's suggestions and opinions should be heard more, especially in economic and social policymaking, where the issues at stake most affect them. Young people matter. The Y20 is a first step to empower them to solve their own challenges. ■

# Bringing more women into the global economy

— The formation of the W20 engagement group brings great opportunity for sustainable, gender-inclusive economic growth, writes **Gülden Türktan**, Chair, W20 Turkey and member of the Presidential Council of KAGIDER



Gülden Türktan is Chair of the W20 Turkey and a member of the Presidential Council of KAGIDER, the Women's Entrepreneurs Association of Turkey. A founding member of KAGIDER, she served as President from March 2011 to May 2015. Under her presidency, she established FEM, an equal opportunity programme for corporations. Between 1988 and 2008, Dr Türktan worked as an executive as well as a board member of the local operation of ABB, a Swiss-Swedish engineering conglomerate.

@GuldenTurktan

[www.w20turkey.org](http://www.w20turkey.org)

**A**t the first sherpa meeting during Turkey's G20 presidency, in Istanbul on 15-16 December 2014, then Deputy Prime Minister Ali Babacan and Sherpa Ayşe Sinirlioğlu proposed the establishment of the Women's 20 (W20) as a stand-alone G20 engagement group. After consultations with all G20 members, the presidency achieved the consensus to form the W20 in April 2015. Turkey's G20 presidency thus established a formal outreach group to explore the inclusion of women for sustainable growth.

The W20's mission is to promote global gender-inclusive economic growth. The G20's mandate includes helping achieve progress on the G20 commitments to "women's full economic and social participation" (made in the Los Cabos Leaders' Declaration in 2012); women's "financial inclusion and education" (in the St Petersburg Leaders' Declaration in 2013); and reducing the gap in participation rates between men and women in G20 members by 25% by 2025, taking into account national circumstances (the Brisbane Leaders' Communiqué in 2014).

During my term as President of KAGIDER (the Women Entrepreneurs' Association of Turkey) we followed the G20's approach to women in the economy, and lobbied the Turkish Government to form the W20. We also raised the issue in meetings in London, when we were invited to speak at the House of Lords in Westminster, on Women Entrepreneurs' Day in November 2014. We sought support for the W20 by encouraging international links.

For the Turkish team, KAGIDER was at the helm of the W20 Steering Committee and, in cooperation with the Women and Democracy Association (KADEM) and the Turkish Businesswomen Association (TIKAD), assumed the roles of the presidency and secretariat. An executive board was appointed to perform the host duties under the presidency of myself, Nilüfer Bulut on behalf of TIKAD and Emine Sare Aydın on behalf of KADEM.

However, the challenge in establishing the W20 was appointing civil-society representatives, academics and businesswomen of each of the G20 members, to form an engagement group that would bring about the solutions sought under its mission.

The W20 was officially launched on 6 September 2015 in Ankara. Keynote speeches were delivered by Turkish Prime Minister HE Ahmet Davutoğlu, along with Christine Lagarde, Managing Director of the International Monetary Fund, Angel Gurría, Secretary General of the Organisation for Economic Co-operation and Development, Lakshmi Puri, Deputy Executive Director of UN Women, and Arancha González, Executive Director of the International Trade Centre. At the first W20 Summit in Istanbul on 16-17 October 2015, representatives from G20 members and experts discussed the issues that need to be addressed.

In Brisbane in 2014, a numerical gender target with a deadline was assigned for the first time. Gender inclusiveness and equality are vital for strong, sustainable and balanced growth. The W20's main task is to promote global economic growth through gender-inclusive approaches, and its primary goal is to ensure progress on G20 commitments to women's full economic and social participation.

## The role of the W20 in G20 initiatives

The W20 embraces the commitment of "reducing the gap in participation rates between men and women in our countries by 25% by 2025", as stated in the Brisbane Leaders' Communiqué. The W20's duty is to formulate an action plan and propose concrete policies for the G20 members to achieve this target.

Given the principle 'what gets measured gets better', a numerical target is precious. In other words, setting a target during the Australian presidency paved the road for progress. And G20 members know, based on research conducted all over the world, that the countries that attain the target will take a step forward in measuring their macroeconomic performance.

It was very important for the establishment of the W20 to develop a clear outline of how to address women's issues in order to have an impact on economic growth. As long as there is a numerical target, the effectiveness and outcomes of the policies and work of the W20 can be measured.

Women's economic inclusion has three basic benefits for any economy. First, companies owned and managed by women can strengthen global recovery and lift the potential of the economy. Second, women in business enhance the resilience of the economy across all levels. And third, the approach women bring

to business can contribute to greater sustainability in economic development.

The W20 is expected to develop recommendations for macroeconomic and public policies, not only to enhance women's status, but also to support economies in areas such as unemployment and sustainable growth. Some of the priorities include:

- **Women's economic empowerment**, to be addressed by strengthening links between education, employment and entrepreneurship, the fundamental pillars of economic growth. These connections need to be strengthened and the gaps minimised by planning and monitoring the numbers and amending when and where necessary with retraining.
- **Eliminating workplace discrimination**, by making opportunities equal in recruitment, training, promotions. Rights for grievance as well as for equal pay for equal work must be enforced. Such mechanisms need to be instituted with a code of conduct generally accepted across countries.
- **Supporting women-owned enterprises and innovation for sustainability**. Women-owned enterprises are smaller, younger and fewer in number. However, they have proven durability in the wake of economic downturns. Supporting these institutions with favourable loans and lower consulting costs is a good investment opportunity for every government.
- **Increasing the number of women in leadership positions** in both the public sector and the private sector. When given the opportunity, women perform well as board members, chief executive officers and other top positions. Their presence in high-level decision-making in government and in the private sector should be enhanced through quotas or simply by measuring their existence.
- **Strengthening women's economic, social and political networks**. Women have been discouraged from performing in the economy. Knowing each other or who to consult, or learning about the achievements of others, will encourage more women. Networks and role models should be encouraged in business, media and politics.
- **Supporting improved work-life balance** by developing and improving the infrastructure for social care, specifically childcare, eldercare and caring for the sick and disabled. Governments likely require a budget for new jobs to be created for women in the social-care infrastructure. However, the nature of this work is not new – it is the everyday work of childcare institution workers, nurses and specialised caregivers. By investing and encouraging investment in more and more care institutions, where jobs are performed with professionalism, the balance between societal work and life is enhanced.



G20 TURKISH PRESIDENCY

- **Promoting women's leadership in creating sustainable consumption patterns and green growth**. Green growth, the reduction of wasteful consumption, environmental protection and the return to the environment of what has been taken from it all require a balance, and women can act as agents for change by creating new patterns and new jobs.
- **Ensuring women's access to finance and productive assets**. Women have far less access to financial resources and the G20 committed to their financial education at St Petersburg. Women should be encouraged through favourable loans or special training programmes from financial institutions where necessary. Women value savings, so money accumulated in the hands of women will foster economic growth.

W20 delegates at the official launch of the engagement group, in Ankara on 6 September 2015

## The W20 intends to produce specific, economically sound and evidence-based recommendations for the G20 leaders

The W20 intends to produce specific, economically sound and evidence-based recommendations for the G20 leaders at Antalya. It also intends to create a mechanism to monitor the developments in accordance with the goal put forward at Brisbane and the supporting eight priorities listed above.

The basic principles of the W20 include enforceability among G20 members, inclusivity and the comprehensiveness of the proposals and recommendations needed to promote growth. We value dialogue. We encourage everyone to visit our website at [www.w20turkey.org](http://www.w20turkey.org) to express their inspirations, contributions and suggestions for the way forward with more women as players in the economy. ■

# Inspiring leadership and action for development

— All sectors of society must engage in advancing shared global goals, write the Reverend Dr Karen Hamilton, General Secretary, Canadian Council of Churches, and Brian J Adams, Director, Centre for Interfaith and Cultural Dialogue, Griffith University, and Convener, 2015 G20 Interfaith Summit



The Reverend Dr Karen Hamilton is General Secretary of the Canadian Council of Churches (CCC), which engages with all faith traditions on issues of social justice. She is the recipient of a number of interfaith awards.

@CCC\_CCE

[www.councilofchurches.ca](http://www.councilofchurches.ca)



Brian J Adams is the Director of the Centre for Interfaith and Cultural Dialogue at Griffith University. He primarily focuses on promoting respect and understanding across cultural, religious and organisational boundaries.

[www.g20interfaith.org](http://www.g20interfaith.org)

In 2010, the title of the statement issued by the G8/G20 Interfaith Leaders' Summit in Canada, just prior to the G8/G20 political leaders' Muskoka and Toronto summits, was A Time for Inspired Leadership and Action. It continues today to be a time for inspired leadership and action. This year's G20 leaders' meeting is occurring in a context in which the global economy continues to be challenged and the refugee crisis in Europe, with its ramifications for much of the world, is the worst such crisis since the First World War. Violent conflicts continue in many regions and bombings kill and maim in many countries – including Turkey itself, the host of both the G20 political and interfaith summits this year.

Cognisant of Turkey's priorities for strengthening the global recovery and lifting potential, enhancing resilience and buttressing sustainability as host of the G20 political leaders' summit as well as the current context, the objective of the 2015 G20 Interfaith Summit is to facilitate peace and harmony among people of all religious and philosophical traditions while exploring ways to work together to strengthen economic development. It will highlight the key role that religion plays in contributing to sustainable development, peace and the achievement of the United Nations 2015 Sustainable Development Goals (SDGs). It is about consistency and persistence.

The world's faith traditions have millennia and centuries of being called

by divine imperative to inspired leadership and action in the name of care, compassion and justice. Sometimes the call has been faithfully answered, sometimes less so. Since 2005, faith traditions have been engaging with the G7/8 and G20 political leadership, speaking and acting with a moral, ethical voice and concrete specifics on poverty reduction, climate change, and peace and security. The Millennium Development Goals (MDGs), and their profound importance for the lives of the most vulnerable, have always been a crucial theme of that engagement.

## Fostering civil society dialogue

This year's summit is the second in what will be an ongoing series of interfaith summits in direct conjunction with the G20 political leaders' summit. The 2015 G20 Interfaith Summit in Turkey is building on the networks, research and actions born in last year's Australian G20 Interfaith Summit. The Turkey Interfaith Summit, in turn, lays the foundation for the work of next year's Chinese summit. This year's interfaith summit brings together not only faith and interfaith leaders from around the world, but also academics, lawyers, economists, media, professional and political leaders. This is being done in the belief that, to engender harmony and contribute to the achievement of the SDGs, there must be broad civil society discussion and action from grassroots to policymaking levels. The G20 Interfaith Summit is a way to shape the vision of these goals and to drive their

**The need for inspired leadership and action will remain crucial as global events continue to develop**

attainment. It is a way both to witness and enact the belief that all sectors of society must be in dialogue and engaged in common action for the advancement of a whole, inclusive and just global society.

This year's G20 Interfaith Summit, involving all sectors of civil society, addresses crucial topics in the world: religion; human rights and economic development; how interfaith collaboration builds sustainable economies; religion, environment and sustainable development; the economic impacts of Islamophobia and other forms of intolerance; women, faith and sustainable development; religion, poverty alleviation and refugee relief; spiritual capital and economic development in China; and the ethics of sustainable development, including religion and corporate compliance policies and the social responsibility of entrepreneurs.

Of particular note, given Turkey's important creation of the Women 20 (W20), promoting gender-



VAN ROMANO/PACIFIC PRESS/ALAMY LIVE NEWS

inclusive growth and women's leadership in business and the public sector and women's entrepreneurship, is the Interfaith Summit's focus on the impact of women of faith on sustainable development. Women who are both academics and practitioners of faith traditions will speak to the reality of women's engagement in local contexts. What success has been measured in the partial fulfillment of the MDGs and the hope for the fulfillment of the SDGs is attributed to several diverse but interconnected factors. One of those factors, sometimes overlooked in the analysis of their efficacy, is the role that faith communities play in delivering the goals. In many local contexts, faith communities are the only bodies with both capacity and the connection with individuals and groups. The role of women of faith in such context is particularly strong.

All of the G20 Interfaith Summit discussions that form the basis of research and action are taking place in the context not only of the move from the MDGs to the SDGs, but also, as is always the case with interfaith and

Refugees waiting to cross the Serbian-Croatian border. This year's G20 Interfaith Summit will address refugee relief, as flows of people continue to arrive in Europe from war-torn countries

civil society summits, in the context of the priorities of the host country of the political summits. The Turkish priorities of low-income developing countries, climate change, migrants and immigrants inform the work and witness of the summit participants as they will engage during the summit itself, as well as in their local, national and international contexts. Those Turkish priorities will continue to be crucial in ways that are not entirely foreseeable.

The need for inspired leadership and action will remain crucial as global events continue to develop. Interfaith leaders' summits in proximity to G20 political summits, such as this one in Istanbul, taking place a day after the Antalya Summit, build foundations of dialogue and relationship that encourage and enable persistency and consistency of speech and action. Dialogue and relationships among faith leaders and, very importantly, among all sectors of society strengthen the economic and sustainable development for all of the world's people. ■

# Lessons in public diplomacy

— The Turkish presidency is maintaining the standard set by Australia for public diplomacy, leveraging dialogue opportunities and sourcing meaningful input from outreach groups, write **Caitlin Byrne and Scott Blakemore, Bond University**



Caitlin Byrne is a senior lecturer of international relations at Bond University, Gold Coast, Australia. Her teaching and research interests include contemporary and public diplomacy, with a special focus on Australia and the Asia-Pacific region and the G20. She is a former research fellow of the University of Southern California's Center for Public Diplomacy.

@caitebyrne



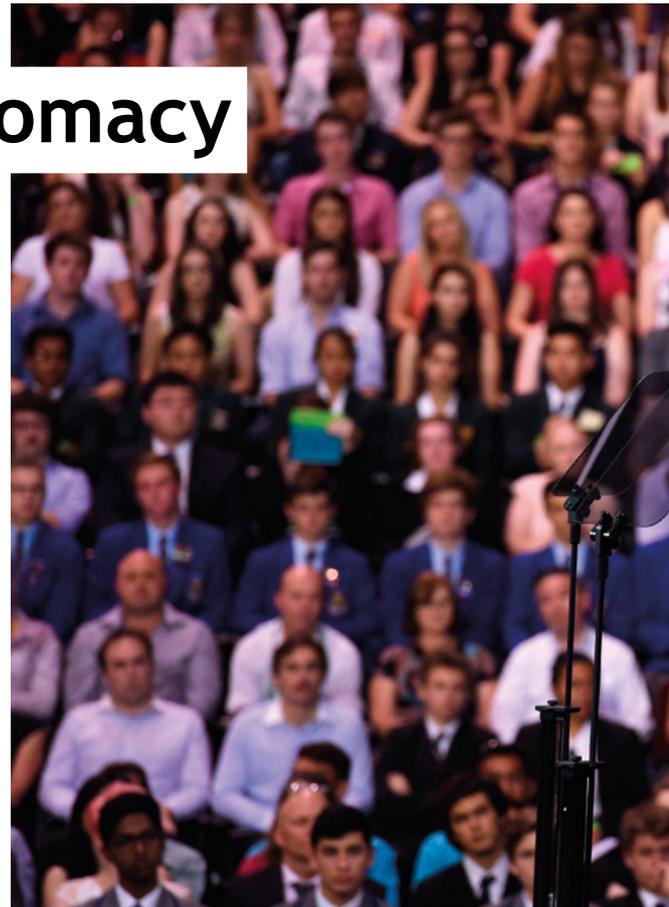
Scott Blakemore is a teaching fellow of international relations at Bond University, Gold Coast, Australia. His research includes contemporary forms of diplomacy and their interactions with regional and global institutions. He has taught subjects including the theory and practice of diplomacy.

**P**eople matter to the G20. As the leaders' self-declared "premier forum for international economic cooperation", the G20 has global interests and ambitions. Yet, its agenda is deeply and directly connected to the everyday lives of ordinary people around the world. From economic growth to jobs, climate change to the spread of disease, the public reach of the G20 agenda is real and tangible.

To fulfill its own mandate, the G20 must understand and inform ordinary people around the world. It must draw their voices, interests and concerns into the dialogue of leaders and countries, and it must represent them. Simply put, for the G20, engaging people is not a nicety, but rather a matter of effectiveness, legitimacy and credibility. It is a symbiotic relationship. Without the fundamental recognition and support of the people it represents and seeks to serve, the G20 is at risk of losing its greatest asset: the attention and will of the global leaders it currently brings together.

This is where public diplomacy – or diplomatic engagement with people – takes its cue. In today's globalised and hyperconnected world, public diplomacy has become essential to the task of conducting foreign policy. No longer solely the domain of states, institutions and other global actors now look to public diplomacy as they seek to capture and leverage the attention, support and input of diverse public audiences.

Public diplomacy itself is an evolving field. The tempo of its evolution is set by the emergence and spread of new technologies and the rising expectations of global publics. Today's public diplomacy has shifted away from the one-way information transit models of the Cold War towards a model that enables "genuine cooperation and



collaboration between interconnected communities", as Rhonda Zaharna, Ali Fisher and Amelia Arsenault wrote in *Relational, Networked and Collaborative Approaches to Public Diplomacy: The Connective Mindshift*. With an emphasis on relationship building through dialogue, this 'new' public diplomacy holds relevance for global actors seeking to generate legitimacy and credibility in the crowded and competitive global landscape.

As an informal, nomadic institution that brings together a diverse array of high-profile actors to address global interests and issues, the G20 has struggled to engage publics in the past. Instead of support, it has tended to agitate the ire of a vocal cohort of global protesters. Seen as an elite group servicing the interests of a precious and entitled few, the G20's early summits were mired by violent and active dissent. Blockades and barricades separating G20 officialdom from the publics on the ground reinforced the sense of disconnect and public distrust and anger. For other publics, the G20 generated at best a sense of ambivalence, with many preferring to ignore its existence altogether.

## Visible and meaningful input

Yet, much has changed in recent years. The past few G20 summits have emphasised outreach and engagement with people as a priority. Each has done this differently, and with varying outcomes. Australia, as the 2014 G20 chair, set a new standard for public engagement. Three aspects of the Australian approach are particularly deserving of attention: engaging key dialogue groups



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early in agenda-setting processes; leveraging the dialogue opportunities within the host city; and utilising social media in order to amplify global visibility, interest and input.

First, the formalised schedule of conferences and interactions involving key representative groups, such as the Civil Society 20 (C20), the Think 20 (T20 – think tanks and academics), the Labour 20 (L20 – unions) and the Youth 20 (Y20) took place throughout the year and right up to the Brisbane Summit. These groups met separately and together, deliberated with political leaders and G20 officials and shared their views with the media. Their presence and input into public debate surrounding the G20 process and agenda were visible and meaningful.

Not only did the formal engagement process generate dialogue, but it also yielded outcomes. Components of the communiqué agreed to by the G20 leaders in Brisbane reflected key concerns and interests, particularly around equity and fairness: from inclusive economic growth through to improving women's participation in the workforce, and from climate change to youth unemployment. The process was not without its challenges. For example, diversity of public participants made for complex deliberations. Not all issues or concerns were heard or considered. However, with outcomes viewed as largely positive, the overall process offered an important precedent and framework for ongoing and robust G20 dialogue with and between public audiences.

United States  
President Barack  
Obama's address  
during the Brisbane  
Summit generated  
around 20,000  
tweets in one hour

Second, hosting a G20 summit is a major opportunity for any city, but it also brings significant concerns, primarily because of the sheer scale of the event. The Brisbane Summit, which attracted some 4,000 delegates and 3,000 domestic and international media, was viewed by many with dread. Residents and business owners worried about its impact on traffic and access. Meanwhile, administrators, officials and police prepared for the unpredictable.

Yet, for Brisbane, hosting the event proved to be a positive experience for the local residents. Promoted early by the city, the G20 was seen to be an opportunity to gain global visibility, build business and develop new conversations and thought leadership within the city. The Global Cafe, a key initiative developed by Brisbane Marketing (the city's promotional agency), delivered on all three. Held in the heart of the city, the Global Cafe engaged a live audience of 2,000, plus thousands more via digital streaming across a two-day programme of themed conversations. Discussions, led by international and local thought leaders, focused on improving human life, creating future cities, powering the economy, unlocking the opportunities of the digital age and exploring the emerging frontiers of tourism. The Global Cafe invigorated local engagement within the city, and it brought the potential of the G20 agenda to life.

### Leveraging tools to maximise outcomes

Third, in today's hyperconnected world, social media provides a core element of G20 public diplomacy. The Brisbane Summit proved itself to be a major event on Twitter. The G20 Twittersphere was abuzz with expressions of concern over the appearance of Russian warships off the Queensland coast, and with German Chancellor Angela Merkel's Brisbane nightclub selfies. There were also tweets of support for G20 action on climate change. Russian President Vladimir Putin's koala moment was the most retweeted of all. In the month leading up to the Brisbane Summit, some 1.02 million G20-related tweets were recorded. But it was US President Barack Obama's public appearance at the University of Queensland that generated the most significant activity, peaking at about 20,000 tweets during his one-hour speech.

The lessons learnt for the forthcoming G20 Antalya Summit are straightforward. Public audiences are ready, and expect to be engaged in G20 dialogue. But they are diverse, with interests ranging from notions of fairness and equity, to concerns about how the G20 will affect traffic. G20 public diplomacy is no longer a simple matter of one-way communication, but a complex process of relationship building with multiple and challenging audiences. It offers an important platform for public deliberation, social cohesion and local thought leadership. In order to maximise outcomes, G20 hosts must leverage a range of tools and, more importantly, engagement should start early. As the 2015 chair, Turkey has articulated its commitment to inclusiveness on the G20 agenda. It is a commitment that bodes well for the wider G20 citizenry, and also for the people of Turkey and the community of Antalya. ■

# BRICS and the G20: cooperation in context

— The BRICS group has an established history of working with the G20, while using the forum as an opportunity to collaborate on issues of particular interest to its members, writes Marina Larionova, International Organisations Research Institute, National Research University Higher School of Economics, Russia



Marina Larionova is Head of the International Organisations Research Institute at Russia's National Research University Higher School of Economics (HSE) in Moscow, and Managing Director for International Relations at the Russian Union of Industrialists and Entrepreneurs (RSPP).

@HSE\_eng

www.hse.ru/en

Contrary to frequently voiced assertions about the competitive relationship between the BRICS group of Brazil, Russia, India, China and South Africa and the G20 (as well as some other international institutions), the relationship between these two groups is unequivocally not one of contestation, but of pragmatic support. BRICS accepts the G20 as a central forum for policy coordination and political dialogue on international economic and financial matters. It cooperates with and within the G20 to attain its shared goals of economic growth, reform of the international financial regulatory system and Bretton Woods institutions, and a more equitable and just world.

A study of BRICS discourse provides ample evidence. BRICS refers to the G20 in most of the documents issued by the leaders and by ministers of finance and central bank governors. The total number of references in all BRICS documents has reached 69, second only to the 144 references to the United Nations, which BRICS also considers

essential for multilateral efforts dealing with global challenges and threats. This approach is not reciprocated by the G20, however, which has mentioned BRICS only once – in its 2011 Action Plan to Support the Development of Local Currency Bond Markets.

The first time BRICS mentioned the G20 was before the G20 leaders' first meeting in Washington. The finance ministers of Brazil, Russia, India and China "welcomed the initiative to convene a summit of G20

leaders on financial markets and the world economy" in their São Paulo communiqué on 7 November 2008. Since then, all declarations made by the BRICS leaders have stressed their support for the G20 and its key role in generating strong, sustainable and balanced growth. In their Yekaterinburg statement in June 2009, the BRIC leaders (South Africa was not yet a member) called for the implementation of the G20's London Summit decisions and promised to cooperate closely to ensure further progress on collective action at the next G20 summit in Pittsburgh in September 2009.

## Supporting the G20's mandate

In Brasília on 15 April 2010, the BRIC leaders welcomed the declaration by the G20 that it was the premier forum for international economic coordination. A year later in Sanya, now with South Africa as a member, they supported the G20's ongoing efforts to stabilise international financial markets, achieve strong, sustainable and balanced growth, and support the growth and development of the global economy. BRICS also supported Russia's offer to host G20 in 2013.

At their fourth summit in New Delhi in 2012, BRICS committed to work with Mexico, as G20 president, to facilitate enhanced macroeconomic policy coordination, enable global economic recovery and secure financial stability through an improved international monetary and financial architecture. The eThekweni Declaration, adopted in Durban in 2013, welcomed Russia's efforts as chair of the G20 to contribute to strong, sustainable, inclusive and balanced global growth and job creation.

For the first time, BRICS underlined the importance of the G20 development agenda as a vital element of global economic stability. In Fortaleza in 2014, BRICS emphasised its commitment to contribute to the G20 goal of lifting collective gross domestic product (GDP) by more than 2% over the coming five years.

## Inclusive growth, one of the three 'I's of Turkey's 2015 G20 presidency, has been at the top of the BRICS agenda

At their Ufa summit in July 2015, BRICS leaders promised to continue consulting and coordinating on the G20 agenda. They confirmed the commitments to lift global growth and strengthen international financial architecture. They also pledged to prioritise G20 agenda issues of particular importance for developing countries and emerging markets, such as coordinating macroeconomic policy; containing spillover effects; supporting economic activity; bridging the gaps caused by cross-border impacts of global financial regulation reform; and adopting the new rules introduced by the Organisation for Economic Co-operation and Development Action Plan on Base Erosion and Profit



Shifting and the Common Reporting Standard for Automatic Exchange of Tax Information.

Expressing support for China's presidency of the G20 in 2016, BRICS promised to work closely with all members, and consolidate the G20's role as the premier forum for global financial and economic cooperation.

The G20 has thus been explicitly present in BRICS discourse since 2008. Ufa set a record for the number of references to the G20: 44 in all the documents issued at the summit. Despite an agenda to expand, and to establish the BRICS New Development Bank and the Contingent Reserve Arrangement – often seen as rivals to the existing financial institutions – BRICS remains committed to cooperate with and contribute to the G20 objectives of generating strong, sustainable, balanced and inclusive growth. Inclusive growth in particular, one of the three 'I's of Turkey's 2015 G20 presidency, has been at the top of the BRICS agenda since its summit in Brasília, when the leaders stated that "an inclusive process of growth for the world economy is not only a matter of solidarity but also an issue of strategic importance for global political and economic stability".

### Coordination with G20 activities

It has become an established practice to coordinate the positions of BRICS members within the G20. BRICS finance ministers usually meet on the margins of G20, International Monetary Fund (IMF) and World Bank meetings. One early and interesting case occurred in London in September 2009, on the occasion of the meeting of G20 finance ministers and central bank governors. The participants deliberated on most of the issues on the G20 financial agenda, and proposed setting a target for shifting the quota of votes at the

World leaders at the 2015 BRICS Summit, held in Ufa, Russia, where the group promised to continue consulting and coordinating on the G20 agenda

IMF to 7% and at the World Bank to 6%, so as to reach an equitable distribution of power between advanced and developing countries.

Since 2008, BRICS foreign ministers have met regularly on the sidelines of UN General Assembly sessions and other international events. Their discussions centre on BRICS's cooperation within the UN framework, but coordination within the G20 is also a subject. The statement issued following the meeting on the sidelines of the Nuclear Security Summit in The Hague in March 2014 is particularly notable, as it reveals BRICS's shared ownership of the G20. The foreign ministers explicitly stated that the custodianship of the G20 belongs equally to all members and no one member can unilaterally determine the group's nature or unduly shape its character.

The first time BRICS leaders met on their own at a G20 summit was ahead of the opening of the 2011 Cannes Summit. On the eve of the G20 summit in Los Cabos, BRICS leaders agreed that these informal consultations at multilateral events were valuable and contributed to closer coordination on issues of mutual interest to the BRICS economies.

However, these meetings – especially the recent ones in St Petersburg in September 2013 and Brisbane in November 2014 – tend to deal more with BRICS-related agendas and less with G20-related issues. They thus cannot be regarded as events held purely for coordinating BRICS priorities within the wider G20 environment.

BRICS cooperation with and within the G20 – aimed at attaining shared goals and coordinating on the G20 agenda – are the two primary aspects of the relationship between BRICS and the G20. ■

# Making good on G20 commitments

— Caroline Bracht, Senior Researcher at the University of Toronto's G20 Research Group, looks for patterns in compliance with commitments made at G20 summits



Caroline Bracht is a Senior Researcher for the G20 Research Group, the G7 Research Group, the BRICS Research Group and the Global Health Diplomacy Program, based at the Munk School of Global Affairs at Trinity College in the University of Toronto. She has researched and written on G20, G7/8 and BRICS compliance, specifically on development, climate change and energy commitments. Bracht leads the group's work on education, social policy, health and compliance.

@CarolineBracht

[www.g20.utoronto.ca](http://www.g20.utoronto.ca)

Each year, those attuned to global governance await the release of the G20 communiqué. This document concludes the summit and outlines the shared positions and promises of the G20 leaders on a diverse set of complex global issues. Embedded within the communiqué's text are clear, future-oriented statements of 'intent-to-take-action', which are more familiarly known as commitments.

According to the methodology developed by the University of Toronto's G20 Research Group, commitments are defined as discrete, specific, publicly expressed, collectively agreed statements of intent, promises or pledges by summit members that they will undertake future action to move towards, meet or adjust to meet an identified target.

Since the G20 was elevated from a meeting of finance ministers and central bank governors to a meeting of leaders in 2008, the G20 Research Group has identified a total of 1,514 commitments that have been made, and assigned each a corresponding issue area according to the identified objective or target. Unsurprisingly, most commitments are within the group's core competence – to be the G20 leaders' premier forum for global economic governance.

The G20 Research Group, in collaboration with the National Research University Higher School of Economics in Moscow (and a variety of other universities and organisations) has measured the implementation of selected priority commitments since the first 2008 Washington Summit. Its compliance reports rely on publicly available information, and are distributed to a broad stakeholder community in order to both elicit feedback, and to strive for comprehensive and accurate data collection and assessment.

The G20 Research Group and its global network of partners have monitored a total of 130 commitments. Overall, across all issue areas and all members, the average implementation was 71% between 2008 and 2014. This average is lower than both the average of the Group of Seven (G7) or Group of Eight (G8) at 75% and the BRICS group of Brazil, Russia, India, China and South Africa at 73%.

There are three distinct stages for implementation. The first stage includes the first two summits, Washington in 2008 and London in April 2009, and has the largest range. The Washington Summit had the highest compliance average of 83%, based on four commitments within the G20's areas of strength – macroeconomic policy, finance and trade. The following year there was a significant dip in implementation of the London Summit's commitments, to 59%.

The second stage includes the next three summits, Pittsburgh in September 2009, Toronto in June 2010 and Seoul in November 2010. Implementation clustered around the 67-70% range, based on a larger number of commitments. The Seoul Summit analysis included a heavy emphasis on development, an issue specifically and significantly addressed for the first time by the G20. The third stage includes the most recent summits. The 2011 Cannes Summit achieved a 72% implementation rate, which increased to 76% the following year with Los Cabos commitments, and

**Overall, across all issue areas and all members, the average implementation was 71% between 2008 and 2014**

then dipped back to 72% with the implementation of 2013 St Petersburg commitments.

The question is now whether compliance with the commitments made at Brisbane in 2014 will increase, decrease or remain level. Based on the G20 Research Group's assessment at the halfway mark between the 2014 Brisbane Summit and the 2015 Antalya Summit, compliance is decreasing; however, the final score will only be known on the eve of the Antalya Summit, when the report covering the full year is released (see [www.g20.utoronto.ca](http://www.g20.utoronto.ca)).

With regard to issue areas with more than one compliance report completed, labour and employment commitments achieved the highest compliance, with an implementation rate of 88%. Energy is the next area at 76%, then implementation on other issues is clustered around the mid 60-70% range: food and agriculture at 75%; reform of international financial institutions at 74%; financial regulation at 73%; macroeconomic policy at 72%; development at 67%; climate change at 66%; trade at 59%; international cooperation at 58%; and crime and corruption at 57%.



CHRIS GOODNE/BLOOMBERG VIA GETTY IMAGES

The implementation patterns by issue are not as clear as the analysis of implementation across time. The G20's mandate to function as the premier forum for economic cooperation prioritises growth and jobs. While implementation of labour and employment commitments has gone well, macroeconomic policy and financial regulation show room for improvement.

The country with the highest implementation score was the United Kingdom at 88%, followed by: Australia, Germany and the European Union at 83%; Canada and France at 81%; the United States at 78%; Korea at 77%; and Italy at 71%. These scores are higher than the overall G20 compliance average. The countries with the lowest compliance, starting with the lowest score, were Argentina at 52%; Saudi Arabia at 54%; Indonesia and Turkey at 61%; Russia at 65%; China at 67%; South Africa, India and Mexico at 67%; Brazil at 68%; and Japan at 71%.

Of the nine countries with averages above the G20's overall score, only two were not members of the G7. One explanation for this is experience. G7 members have attended summits since 1975, and therefore have had the time to develop and correct implementing behaviour.

Japanese Prime Minister Shinzo Abe addresses the Japan Finance Forum in New York in September 2015. Across all of the G20 commitments, Japan has an implementation score of 71%

The G20 Research Group has identified some factors encouraging compliance: first, priority placement of a commitment at the beginning of the communiqué; second, a completion timeline of one year or less; and third, explicit references to the core international organisation most relevant to the commitment in the text of the communiqué.

Compliance with G20 commitments could be strengthened in the coming years. Building awareness and embedding the compliance catalysts mentioned above – priority placement, a one-year timetable and reference to the core international organisation in the communiqué – could increase compliance with summit commitments. The institutionalisation of an internal accountability-reporting mechanism could also help to increase compliance, by increasing peer pressure. Furthermore, a knowledge-sharing mechanism within the G20 that would facilitate the transfer of compliance-producing behaviour among members could help to increase overall compliance among the low implementers. These small and yet significant actions could contribute to higher compliance overall in the coming years. ■

# Building bridges over the Bosphorus

— Turkey is a natural geopolitical bridge-builder, and the Antalya Summit provides the ideal opportunity to repair relationships, writes **Dries Lesage, Ghent Institute for International Studies, Ghent University, Belgium**



Dries Lesage is a professor of international politics at Ghent University. His research focuses on trends in multilateral governance, including the G20 and United Nations. He teaches the history of world politics from 1815 to the present, international relations theory, and globalisation and global governance. He is also a member of the Centre for Turkish Studies at Ghent.

@DriesLesage

www.giis.ugent.be

**T**he 2015 G20 presidency is another sign of Turkey's growing ambitions to play a significant role in global governance. Over the past 15 years, boosted by a stable and growing economy, Turkey has opened up its diplomacy in all directions, becoming a regional leader, a big trading nation and a major player in development cooperation. As an eager middle power and G20 chair, Turkey contributes to the deepening of G20 governance by fostering an agenda that goes beyond responding to the financial crisis, in particular through the G20 energy and development tracks. Key to Turkey's international capabilities are an experienced diplomatic corps and a highly esteemed financial-economic policy staff.

## Securing Turkey's effectiveness

However, international and domestic developments hold serious risks for Turkey's effectiveness on the world scene. The Justice and Development Party (AKP) Government's promising "zero problems with neighbours" policy has been badly derailed by the Syrian war. In July 2015, the terrorist group PKK (Kurdistan Workers' Party) resumed its lethal attacks against security personnel and citizens, putting an end to a 2.5-year-long ceasefire. Turkish armed forces responded with air strikes against PKK camps in Northern Iraq. Domestic and external troubles are strongly intertwined.

A weakening of Turkey's international position would be bad news for the world. Turkey is a very strategic country – and not only for energy transit. Because of its geographic location, as well as its cultural and philosophical diversity, it forms a bridge between the West and the Islamic world. Likewise, it connects the advanced industrialised and emerging worlds, including the BRICS group of Brazil, Russia,

India, China and South Africa. Turkey's economic and military capabilities make it a strategic partner for stability and prosperity in the Middle East, North and East Africa. It will be a stakeholder and a contributor to any solution in Syria. Turkey and Europe need each other, not only for business, but also for tackling the refugee crisis and terrorism. Yet, relations between Turkey and Western countries have recently soured, following domestic turmoil and a series of misunderstandings over Syria.

## Reset between Turkey and the West

Because none of the parties can afford a worsening of the relationship, it is time to put a few things straight. Domestic political tensions in Turkey have reached a dangerous point. Western governments, media, non-governmental organisations and European Union institutions play a role in this, but not necessarily a positive one. At large, they have failed to grasp the complexity of Turkey's troubles. In their comments and interventions they often unilaterally side with some (a series of oppositional forces) against others (the governmental party). This way, they unduly empower political forces with an equally questionable record in terms of democratic values.

Turkey's political system suffers from deep mistrust between various groups. The undemocratic behaviour of some is often reactive to anti-democratic moves of others. During the past decade, several political parties, elite networks, religious sects and armed groups have resorted to undemocratic practices such as philosophical intolerance; corruption and power abuse; coup attempts; active disinformation campaigns; street violence and outright terrorist activity.

These practices are symptomatic of a system of fear, even though most of the involved groups have a legitimate case, represent an important constituency, and have already contributed to Turkey's society and democracy. If Western actors want to be helpful, the best thing they can do is to be humble, empathic, constructive and critical – in all directions instead of just one direction. In other words, they should aim to serve as a good friend, ready to contribute to national reconciliation, so that both Turkey and the relationship can realise their full potential.

A related threat to the Turkish-Western relationship is the neglect of legitimate Turkish security concerns. International cooperation on Syria has been hindered by the conflict between the Turkish state and the PKK. Whereas Ankara maintains warm relations with the Kurdish Regional Government in Iraq, similar cooperation against ISIL was not possible between Turkey and the North Syrian PYD (Democratic Union Party), which is affiliated to the PKK. This was made clear during the 2014 Kobani crisis, when Turkey received harsh Western criticism for its passivity towards ISIL's assault on the Kurdish town.

Still, Turkey received tens of thousands of Kurdish refugees, among the two million Syrian refugees on whom the country has already spent more than \$7 billion. In the



KONSTANTINOS TSAKALIDIS/ALAMY LIVE NEWS

## Turkey's economic and military capabilities make it a strategic partner for stability and prosperity in the Middle East, North and East Africa

lead-up to the Kobani crisis, Turkey's NATO partners missed the opportunity to pressure the PKK to definitively disarm against Turkey. In such a scenario, Turkish cooperation with the PYD would have been conceivable. Instead, Western circles continue to hail the PKK as 'almost the only ones who fight ISIL', regardless of the rightful traumas and fears of millions of Turks and Turkish Kurds alike. In the West, a legitimising attitude vis-à-vis the PKK continues to be rife. Meanwhile, the fundamental question of whether there is any justification for violent guerrilla activities in Turkey is avoided.

A Syrian Kurdish woman waits for food in a refugee camp. Turkey has received tens of thousands of Kurdish refugees

Although it is far from complete, the Kurdish emancipation process has made great progress over the past 10 years. In past elections, 40-50% of Kurds voted for the Turkish governmental party. After a shift of votes last June, a pro-Kurdish party obtained 80 seats in parliament. The Kurdish question can be solved by peaceful means.

The Antalya Summit is a good opportunity to strengthen and restore relations. As chair, Turkey will professionally help to consolidate G20 governance through agenda continuity and innovation. But this summit will also see frantic diplomacy over Syria, in the context of deeper Russian involvement on the side of the Assad administration.

This is a test case for Turkey as well. As a natural bridge-builder, its task is to emphasise the obvious common interests and to show empathy for the legitimate concerns of several involved G20 members. But it can equally expect a reciprocal empathy from others. ■

# A think tank perspective

— China will continue to play a fundamental role in shaping global policy and achieving internationally agreed targets, says **Wang Wen, Executive Dean, Chongyang Institute for Financial Studies, Renmin University of China**



Wang Wen is Executive Dean of the Chongyang Institute for Financial Studies, which was founded in 2013 at the Renmin University of China. He is also Standing Director of World Socialism Research at the Chinese Academy of Social Sciences, and a Visiting Professor at the Liberal Arts School at the Capital University of Economics and Business in Beijing. He previously worked as Chief Op-ed Editor and Editorial Writer at *Global Times*. His latest book, *Phantom of Powers*, was published in 2013.

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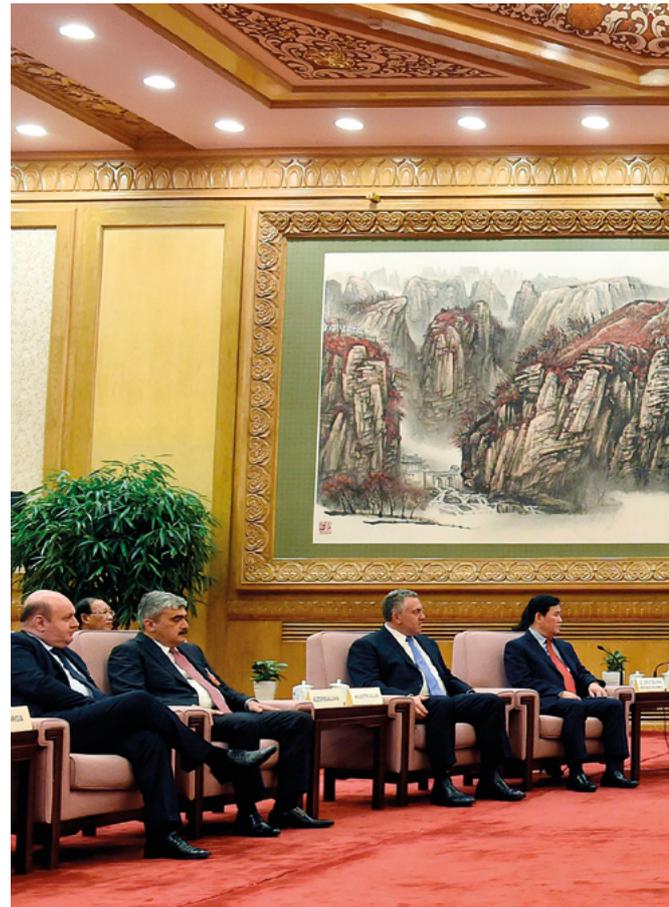
**T**he G20 has become the most important global governance institution. When the 2008 global financial crisis affected so many countries, leaders from 20 major economies around the world met in Washington DC to discuss how to respond. Through coordinated cooperation, the G20 not only contributed to solving the crisis, but also matured into an institution for global economic and financial governance. At G20 summits, leaders from developed countries and developing countries freely exchange their ideas on the most critical issues in the global economy. The G20 is increasingly significant in building a platform for coordinating different countries' economic policy so that the global goal for economic growth can be realised.

In recent years, as the biggest developing country and a powerful emerging economy, China has started to play a leading role in the G20. That China will host the 2016 G20 summit may mean the country would have more ambition and capability in constructing international institutions. China has made great efforts to promote the G20 in many aspects, and it would do even more in leading the G20.

One important contribution that supports China's more active performance is its think tanks. As their work on G20 studies and global governance proves to be valuable for China, the world may take more notice of the importance of Chinese think tanks in the future.

Since 2008, China has been taking part in many areas of the G20's work, such as reform of international financial institutions (IFIs), financial supervision and development. Its contribution falls into three areas.

First, China has effectively adjusted its policies at home and abroad to promote the recovery of the global economy, which was the G20's most important goal at



the start. After the crisis, China rapidly took various measures to deal with it. China came up with a large-scale economic stimulus package and, along with other G20 members, provided \$1.1 trillion at the 2009 London Summit. China added \$50 billion to the International Monetary Fund (IMF) to boost the recovery and international financial stability, and its strong support helped the world economy gradually improve. As the world's second-largest economy, its stable and continuous economic growth in itself is a significant contribution to global economic health and balance.

## Drivers of growth and development

China's contribution also involves infrastructure. As infrastructure investment is important for bringing development and economic growth to most countries, China has taken substantial action to solve global infrastructure investment problems and promoted the G20's agenda on this issue. It combined its national strategy with the global need on infrastructure investment. It advocated establishing the New Development Bank (NDB) with its BRICS colleagues of Brazil, Russia, India and South Africa, with an authorised \$100 billion in capital. It established the Asian Infrastructure Investment Bank (AIIB) to create a new institution to promote infrastructure investment. Although its establishment raised some suspicions, the AIIB nonetheless has the potential to contribute significantly to the global economy, especially for developing countries.



WANG ZHAO/POOL PHOTO VIA AP/PRESS ASSOCIATION IMAGES

## China has effectively adjusted its policies at home and abroad to promote the recovery of the global economy

China's policies have been adjusted to better meet the G20's common goals. On the eve of the 2014 G20 Brisbane Summit, China and the United States released the Sino-US Joint Statement on Climate Change. China committed to make its carbon dioxide emissions peak by 2030 and to increase the use of non-fossil fuels to account for 20% of its total energy consumption. Given that China is developing rapidly, this commitment demonstrates its determination to respect its global responsibility while maintaining economic development.

Second, as a critical power in making the G20 work effectively and efficiently, China is involved in IFI reform, especially the IMF. China's resolve to reshape global financial governance and change the imbalance in power established as a result of the Second World War has gained support from many emerging economies and developing countries. Several decades later, countries that were once weak have now surpassed some countries to become more important in the global economy. The United States has refused to ratify the reforms, thanks to domestic politics. But China persists. China and other emerging economies understand the importance attached to increasing their voice and vote at the IMF.

Chinese President Xi Jinping meets with delegates at the signing ceremony for the founding of the Asian Infrastructure Investment Bank, which could make a big contribution to the global economy

Consequently, IMF reform is always a hot topic at G20 summits, especially since China raised it on the eve of the London Summit. In addition, given the NDB and the AIIB, both supported by China, it is possible that a new regime can offer alternative choices. China has gained valuable experience in using the G20 to accelerate the pace of IFI reform.

### Providing ideas to the world

Third, China has tried to provide creative and practical ideas to the G20. Zhou Xiaochuan, Governor of the People's Bank of China, came up with the concept of a 'super-sovereign currency', which was discussed at the London Summit. A super-sovereign currency offered a new landscape for the international monetary system, removing barriers caused by nation-state sovereignty and creating a new kind of world currency for international reserves and trade settlement. Disconnected from sovereignty, the world currency would keep currency values stable. Zhou included concrete and detailed suggestions on how to create the currency and its corresponding system. Although the idea was criticised for being idealistic, it was a positive example of China's ability to provide ideas to the world and indicated its readiness to participate in global governance in addition to participating in G20 summits.

The G20 will likely receive more Chinese wisdom over the next few years, especially since China will host the G20 summit in 2016. It is an opportunity to hear various voices from China. ■

**Argentina | Cristina Fernández de Kirchner**

Cristina Fernández de Kirchner became President of Argentina in December 2007 after winning the general election in October, and was re-elected in October 2011. She replaced her late husband, Néstor Kirchner, who had been President since May 2003. She is Argentina's second female president, the first to be elected. Prior to her current position, she was Senator for the provinces of Buenos Aires and Santa Cruz. She was first elected to the Senate in 1995, and in 1997 to the Chamber of Deputies. In 2001, she won a seat in the Senate again. Born on 19 February 1953 in La Plata, Buenos Aires, Kirchner studied law at the National University of La Plata. She has two children and has attended every G20 summit except the 2014 Brisbane Summit. The Antalya Summit will be her last summit after the new President of Argentina assumes office on 10 December 2015.

Finance Minister: Axel Kicillof

Central Bank Governor: Alejandro Vanoli

Sherpa: Cecilia Nahón

**Australia | Malcolm Turnbull**

Malcolm Turnbull was sworn in as the Prime Minister of Australia on 15 September 2015. Since entering federal politics as the Member for Wentworth in 2004, Turnbull has held a number of parliamentary positions including, most recently, Minister for Communications from 2013-15. He was Leader of the Opposition from September 2008 to December 2009 and was later Shadow Minister for Communications and Broadband. He has held a number of parliamentary positions including Shadow Treasurer, Parliamentary Secretary to the Prime Minister with responsibility for national water policy, and Minister for Environment and Water Resources. Before entering politics he had a successful career as a journalist and a lawyer. Born on 24 October 1954 in Sydney, Turnbull holds a BA LLB from Sydney University. He won a Rhodes Scholarship and completed a further law degree at Oxford University. This will be his first G20 summit.

Finance Minister: Mathias Cormann

Central Bank Governor: Glenn Stevens

Sherpa: David Gruen

**Brazil | Dilma Rousseff**

Dilma Rousseff was elected the 36th President of Brazil in 2010 and inaugurated on 1 January 2011. She was re-elected in a run-off election on 26 November 2014. In 2002, Luiz Inácio Lula da Silva appointed her Minister of Energy, and in 2005 she became Chief of Staff, remaining in office until 31 March 2010, when she stepped down to run for President. She was born in Minas Gerais, Brazil, on 14 December 1947. Rousseff studied economics at the Minas Gerais Federal University School of Economics and did postgraduate studies in economics at the Campinas State University. She is divorced from Carlos Franklin Paixão de Araújo, with whom she has one child. Rousseff has participated in every G20 summit since the 2011 Cannes Summit.

Finance Minister: Joaquim Levy

Central Bank Governor: Alexandre Antonio Tombini

Sherpa: Enio Cordeiro

**Canada | Justin Trudeau**

Justin Trudeau was elected Prime Minister of Canada on 19 October 2015. He was elected as the Member of Parliament for the riding of Papineau in 2008, and re-elected in 2011. He has served as the Liberal Party of Canada's Critic for Youth and Multiculturalism, Citizenship and Immigration, and for Post-Secondary Education, Youth and Amateur Sport. He was elected leader of the Liberal Party of Canada in April 2013. Before entering politics, he taught French and mathematics in Vancouver. Born on 25 December 1971 in Ottawa, he holds a BA from McGill University and a BEd from the University of British Columbia. He and his wife, Sophie Grégoire, have three children. This is his first G20 summit.

Finance Minister: To be announced

Central Bank Governor: Stephen Poloz

Sherpa: Vincent Rigby

**China | Xi Jinping**

Xi Jinping was elected President of the People's Republic of China on 15 November 2012. Xi was appointed Vice-President in March 2008. Xi served in numerous local party and provincial positions, including serving as Deputy Provincial Party Secretary of Fujian from 1995 until 2002. Xi held several party positions before he was appointed to the 17th Chinese Communist Politburo in October 2007. Xi was born in Fuping, Shaanxi, in 1953. He earned a degree in chemical engineering, and was later awarded a doctorate in law from Tsinghua University in Beijing. Xi is married to folk and opera singer Peng Liyuan and they have one daughter. He has attended every G20 summit since the 2013 St Petersburg Summit.

Finance Minister: Lou Jiwei

Central Bank Governor: Zhou Xiaochuan

Sherpa: Li Baodong

## France | François Hollande



François Hollande was elected President of France on 6 May 2012. He served as First Secretary of the Socialist Party from 1997-2008. He was the Deputy of the National Assembly of France for Corrèze from 1988-93 and has been again since 1997. Hollande also served as the Mayor of Tulle from 2001 to 2008. He joined the Socialist Party in 1979, and was an economic advisor for François Mitterrand. Born in Rouen on 12 August 1954, Hollande holds degrees from the École nationale d'administration (ENA), and the Institut d'Études Politiques de Paris (Sciences Po). He has four children with his previous partner, Ségolène Royal. Hollande has participated in every G20 summit since the 2012 Los Cabos Summit.

Finance Minister: Michel Sapin

Central Bank Governor: Christian Noyer

Sherpa: Laurence Boone

## Germany | Angela Merkel



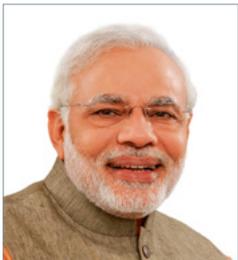
Angela Merkel became Chancellor of Germany in November 2005 and was re-elected in September 2013. Merkel was first elected to the Bundestag in 1990 and has held the cabinet portfolios for women and youth, environment, nature conservation and nuclear safety. Before she entered politics, Merkel worked as a researcher and physicist. Merkel was born in Hamburg on 17 July 1956 and received her doctorate in physics from the University of Leipzig in 1978. She is married to Joachim Sauer and has no children. Merkel has attended every G20 summit.

Finance Minister: Wolfgang Schäuble

Central Bank Governor: Jens Weidmann

Sherpa: Lars-Hendrik Röller

## India | Narendra Modi



Narendra Modi, leader of the Bharatiya Janata Party (BJP), was sworn in as Prime Minister of India on 26 May 2014, replacing Manmohan Singh, who had been Prime Minister since 2004. He had served since 2001 as the Chief Minister of Gujarat state in western India and is currently the member of Parliament for Varanasi. Modi joined the BJP in 1987, and became General Secretary of the Gujarat branch of the party the following year. In 1995, Modi was made National Secretary of the BJP, and three years later was appointed as National General Secretary (Organisation). In 2001, he replaced the incumbent Gujarat Chief Minister, fellow BJP member Keshubhai Patel, and in 2002 won his first election in the Gujarat state assembly. He was re-elected in 2007 and 2012. Born on 17 September 1950 in Vadnagar, Gujarat, he completed an MA degree in political science from Gujarat University. Modi's first G20 summit was at Brisbane in 2014.

Finance Minister: Arun Jaitley

Central Bank Governor: Raghuram Rajan

Sherpa: Arvind Panagariya

## Indonesia | Joko Widodo



Joko Widodo, known as Jokowi, was sworn in as President of Indonesia on 20 October 2014, replacing Susilo Bambang Yudhoyono who had been President since 2004. Jokowi began his political career with the Indonesian Democratic Party of Struggle (PDIP) when he was elected Mayor of Solo, Java, in 2005, and was re-elected in 2010. In 2012, he was elected Governor of Jakarta, a position he held until running for the 2014 presidential election. Before entering politics, he established a furniture manufacturing operation in 1988. Born on 21 June 1961 in Solo, Jokowi studied forestry at Gadjah Mada University. He and his wife, Iriana, have three children. The Antalya Summit will be Jokowi's second G20 summit.

Finance Minister: Bambang Brodjonegoro

Central Bank Governor: Agus Martowardojo

Sherpa: Rizal Affandi Lukman

## Italy | Matteo Renzi



Matteo Renzi became Prime Minister of Italy on 22 February 2014 after the resignation of Enrico Letta. He became Secretary of the Democratic Party on 15 December 2013. In 2004, he was elected President of the Province of Florence, and in 2009, having joined the Democratic Party, he won the election for Mayor of Florence, a position he held until March 2014. Before entering politics, Renzi worked in his family business and was very active in the Boy Scouts. Born on 11 January 1975, in Florence, he graduated from the University of Florence in 1999 with a degree in law. He and his wife, Agnese Landini, have three children. Renzi's first G20 summit was at Brisbane in 2014.

Finance Minister: Pier Carlo Padoan

Central Bank Governor: Ignazio Visco

Sherpa: Armando Varricchio

**Japan | Shinzō Abe**

Shinzō Abe was elected Prime Minister of Japan on 28 December 2012, having previously served from September 2006 to September 2007, and has been President of the Liberal Democratic Party since 2006. He was elected to the first district of Yamaguchi Prefecture in 1993. In 1999, he became the Social Affairs Division Director and served in the cabinets of Yoshiro Mori and Junichiro Koizumi, before becoming LDP Secretary General. In 2005, Abe was nominated Chief Cabinet Secretary in Koizumi's cabinet. Born on 21 September 1954 in Nagato, Abe studied political science at Seikei University and public policy at the University of Southern California. He is married to Akie Abe. Abe has participated in every summit since the 2013 St Petersburg Summit.

Finance Minister: Taro Aso

Central Bank Governor: Haruhiko Kuroda

Sherpa: Yasumasa Nagamine

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**Korea | Park Geun-hye**

Park Geun-hye became Korea's first female President on 25 February 2013, replacing Lee Myung-bak. The daughter of former Korean President Park Chung-hee, Park was thrust into politics at the early age of 22 when she became de facto first lady after her mother was killed in an assassination attempt on her father. In 1998, Park was appointed Vice Chair of the Grand National Party (GNP) and a member of the National Assembly, eventually serving five consecutive terms. In 2004, she was elected Chair of the GNP. Born on 2 February 1952, in Daegu, Korea, she received a bachelor's degree in electronic engineering from Sogang University in 1974. Park has attended every summit since the 2013 St Petersburg Summit.

Finance Minister: Choi Kyung-hwan

Central Bank Governor: Lee Ju-yeol

Sherpa: Lee Hye-min

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**Mexico | Enrique Peña Nieto**

Enrique Peña Nieto became President of Mexico on 1 December 2012. In 1999, Peña was appointed Administrative Secretary after working on the campaign for former Governor of Mexico State Arturo Montiel Rojas, whom he succeeded in 2005. In 2011, he won the presidential nomination of the Institutional Revolutionary Party. Born in Atlacomulco, Mexico, in 1966, Peña received his bachelor's degree in law from the Universidad Panamericana and later received a master's degree in business from the Monterrey Institute of Technology and Higher Education. He has three children by his late wife, Mónica Pretelini. He married Angélica Rivera in 2010. Peña has participated in every summit since the 2013 St Petersburg Summit.

Finance Minister: Luis Videgaray Caso

Central Bank Governor: Agustín Carstens

Sherpa: Carlos de Icaza

**Russia | Vladimir Putin**

Vladimir Putin became President of the Russian Federation for the second time on 7 May 2012, having been elected President in 2000 and re-elected in 2004. Putin became Acting President on 31 December 1999 and led the United Russia party from 2008-12. He worked for the KGB from 1975 to 1991, and was Director of the Federal Security Service from 1998-99. He was first Deputy Chair of the St Petersburg City Government, Chair of its External Relations Committee, and Secretary of the Russian Security Council. Born on 7 October 1952 in Leningrad, Putin graduated from the law faculty of Leningrad State University. He has two daughters with his former wife Lyudmila. Putin has participated in every G20 summit since the 2012 Los Cabos Summit, and hosted the 2013 St Petersburg Summit.

Finance Minister: Anton Siluanov

Central Bank Governor: Elvira Nabiullina

Sherpa: Svetlana Lukash

**Saudi Arabia | King Salman bin Abdulaziz Al Saud**

King Salman bin Abdulaziz Al Saud was proclaimed the King of Saudi Arabia 23 January 2015, upon the death of King Abdullah. He is also Prime Minister of the Council of Ministers. King Salman was designated Crown Prince and appointed Deputy Prime Minister in June 2012, upon the death of Crown Prince Nayef. He served as Deputy Governor of Riyadh from March 1954 to April 1955, and Governor of Riyadh from 1955 to 1960 and again from 1963 to 2011, when he was appointed Minister of Defence. Born in Riyadh on 31 December 1935, he was educated at the Prince's School in Riyadh. King Salman has been married three times and has 13 children; Prince Fahd died in 2001 and Prince Ahmed died in 2002.

Finance Minister: Ibrahim Abulaziz Al-Assaf

Central Bank Governor: Fahad AlMubarak

Sherpa: Hamad Albazai

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## South Africa | **Jacob Zuma**



Jacob Zuma became President of South Africa on 9 May 2009, and was re-elected on 21 May 2014. He joined the African National Congress (ANC) in 1959 and its national executive in 1977. In 1994, he was elected National Chair of the ANC and Chair of the ANC in KwaZulu-Natal. He was re-elected to the latter position in 1996 and was selected as the Deputy President in December 1997. Zuma served as Executive Deputy President from 1999-2005. He was elected ANC President at the end of 2007. Born on 12 April 1949, in Nkandla, KwaZulu-Natal Province, he has received numerous honorary degrees. He has four wives and several children. Zuma has attended every summit since the 2009 Pittsburgh Summit.

Finance Minister: Nhlanelo Nene

Central Bank Governor: Lesetja Kganyago

Sherpa: Jerry Matjila

## Turkey | **Recep Tayyip Erdoğan**



Recep Tayyip Erdoğan assumed the presidency of Turkey on 28 August 2014, having served three terms as Prime Minister of Turkey since March 2003. Before becoming Prime Minister, Erdoğan was mayor of Istanbul from 1994-98. In 2001, he formed the Justice and Development Party, which won the parliamentary election in 2002. He was born on 26 February 1954 in Rize, Turkey, and studied management at Marmara University's faculty of economics and administrative sciences. He is married to Emine Erdoğan and has four children. As Prime Minister, Erdoğan attended every G20 summit except the 2014 Brisbane Summit; Antalya will be his first as President.

Finance Minister: Cevdet Yılmaz

Central bank governor: Erdem Başçı

Sherpa: Ayşe Sinirlioğlu

## United Kingdom | **David Cameron**



David Cameron became Prime Minister of the United Kingdom of Great Britain and Northern Ireland in May 2010. He was first elected to parliament in 2001 as the representative for Witney, and has served as party leader since 2005. Before becoming a politician, Cameron worked for the Conservative Research Department and served as a political strategist and adviser to the Conservative Party. Born in London, England, on 9 October 1966, he received a bachelor's degree in philosophy, politics and economics from the University of Oxford. He is married to Samantha and has three children; a fourth child died in 2009. Cameron has participated in every G20 summit since the 2010 Toronto Summit.

Finance Minister: George Osborne

Central Bank Governor: Mark Carney

Sherpa: Tom Scholar

## United States | **Barack Obama**



Barack Obama was re-elected President of the United States in November 2012, having been elected for his first term as President in November 2008. In 2005, Obama was elected to the Senate, after previously working as a community organiser, a civil rights lawyer and a state legislator for Illinois. He was born on 4 August 1961 in Honolulu, Hawaii, to a Kenyan father and an American mother. He received his bachelor's degree from Columbia University in 1983 and a law degree from Harvard University in 1991. He is married to Michelle and they have two children. Obama has attended every G20 summit since the London Summit in 2009.

Finance Minister: Jacob Lew

Central Bank Governor: Janet Yellen

Sherpa: Caroline Atkinson

## European Union | **Donald Tusk**



Donald Tusk became President of the European Council on 1 December 2014. He was active in Poland's Solidarity movement and, following the collapse of communism, became leader of the Liberal Democratic Congress. Tusk was elected to Parliament in the 1990s. In 2001, he was a founding member of the Civic Platform and became its leader in 2003. In 2007, he was elected Prime Minister and remained in office for seven years. Antalya is his first G20 summit.

## European Union | **Jean-Claude Juncker**



Jean-Claude Juncker assumed the office of President of the European Commission on 1 November 2014, having been nominated in June 2013. From 1995-2013 he served as Prime Minister of Luxembourg, having become Minister of Labour in 1984, and holding various positions including Minister of Finance and Minister for the Treasury. The 2014 Brisbane Summit was Juncker's first G20 summit.

Sherpa: Richard Szostak

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