

# **B20 Task Force Recommendations: Concrete Actions for Los Cabos**

June 2012



# Introduction

Each of the B20 task forces, with guidance from the Task Force on Advocacy and Impact, prioritized recommendations and made them actionable by adding the activities needed to implement recommendations. This report presents the prioritized recommendations from all seven B20 Task Forces, which does not necessarily reflect the positions of the members of the Task Force on Advocacy and Impact.

# B20 Task Force on Food Security

The aim of the B20 Task Force on Food Security is to contribute to the G20 food-security agenda in 2012. The task-force recommendations aim to encourage private-sector engagement and to achieve greater alignment among all stakeholders in order to accelerate and implement national food- and nutrition-security programs. The task force draws upon the “New Vision for Agriculture,” which emphasizes the linkages among food security, environmental sustainability, and economic opportunity, and places the farmer at the center of multistakeholder efforts to improve agriculture productivity and food security. In particular, the task force encourages a shift from aid to entrepreneurship in its approach to empowering farmers, with a goal of building capacity and a market environment that will enable farmers to thrive as the frontline providers of sustainable food security.

I. Significantly enhance public -and private-sector investment to achieve a 50 percent increase in agricultural production and productivity by 2030.

## Metric and criteria for success

### AVAILABLE MEASURES:

- Public-sector investments in agriculture as a percentage of agricultural GDP

## Proposed future measures

- Private-sector investment in agriculture
- Average income and rates of market access among smallholder farmers
- Total factor productivity in agriculture, across countries

## Commitments needed

### FROM INDUSTRY

- The private sector should increase investments in agriculture to help reach the twin goals of increasing production and productivity by 50 percent by 2030 and improving the livelihood of smallholder farmers.
- Sectors represented by the task force plan to invest an additional us\$10 billion to us\$15 billion, expanding market and input access for 3 million to 5 million smallholder farmers, and improving the income and productivity of 2 million to 3 million women farmers.
- Investments should ensure the sustainable use of resources, including farming inputs, and should expand market access for smallholder farmers, especially women.

### FROM THE PUBLIC SECTOR

- Governments should create an enabling environment for private-sector investment by establishing effective public-policy frameworks and incentives and by investing in essential infrastructure and services.
- Governments should increase their investments in agriculture to help increase production and productivity by 50 percent by 2030, and to improve the livelihood of smallholder farmers. Policy measures can be targeted to catalyze, de-risk, and offer incentives for sustainable private-sector investment in agriculture and food-value chains. Public programs should also be designed to empower women farmers.
- Government investments should take an integrated approach to strengthen whole value chains by improving infrastructure, boosting productivity, and reducing waste.
- Policy measures, including subsidies, should encourage sustainable use of resources.
- Promote financial-services provision in rural areas from a diverse and complementary array of providers, including farmer organizations, microfinance institutions, and commercial banks.

II.  
Strengthen national food-security programs, supported by public-private partnerships.

#### Metrics and criteria for success

- Number of countries with robust national food-security plans.
- Number of countries implementing national-level public-private partnerships in coordination with the World Economic Forum New Vision for Agriculture Initiative and the Africa-focused Grow Africa partnership.

#### Concrete action

The realization of many of these actions depends on the implementation of robust national agriculture and food-security programs, supported by national-level public-private partnerships. Such partnerships are currently being piloted in 11 countries, in accordance with the World Economic Forum's "New Vision for Agriculture" initiative. The partnerships can provide a coordinating platform from which further initiatives can be launched for the benefit of multiple stakeholders, with the shared goals of increased productivity and sustainability of local agricultural systems. The partnerships also provide a forum for the joint addressing of risks and obstacles encountered in this environment, and the development of new opportunities for small-scale farmers.

#### Commitments needed

- Governments can enable such partnerships through strong leadership by heads of state to drive public-private collaboration and action, ensuring that all stakeholders, including farmers, are fully engaged.
- Donor agencies and international organizations also play important roles by providing catalytic financial support and sharing best practices across regions.
- The private sector can deepen its engagement in such collaborative initiatives and share the lessons of efforts already under way.

## B20 Task Force on Green Growth

The B20 Task Force on Green Growth has proposed five "Priority Actions for Los Cabos" to G20 stakeholders. While all five are tangible, actionable ideas, one idea in particular represents a significant opportunity to advance the green-growth agenda in the next 36 months.

I.  
At the Los Cabos summit, endorse the launch of a new club called the B20 Green Growth Club to facilitate and monitor progress in delivering green growth.

The club will have a three-year mandate and will initially focus on transforming global financing flows for green growth by strategically targeting public financing to dramatically scale up private investment.

#### Concrete action

At the time of the Los Cabos summit the B20 will declare a new club of international financial institutions, development banks, companies, banks, and private investors. As stated above, the club is designed to make practical progress on the green-growth agenda within the next 36 months, with an initial focus on financing. We invite development and finance ministers and international financial institutions to engage with the B20 Green Growth Club to scale public-private financing structures for green growth and United Nations sustainable energy for all investments. We will report on our progress in leveraging private finance at future G20 summits.

#### Initial activities

In its first phase, the club will work with the G20 to facilitate efforts to target public funding to leverage private investment by:

- Identifying and sharing best-practice risk mitigation and co-investment funding structures for green investment
- Supporting efforts to move away from a project-by-project approach to a portfolio-investment approach
- Working with G20 leaders to incorporate “leveraging private finance” as a key performance strategy for international financial institutions and national development banks

### Commitments needed

- We call upon leaders from international financial institutions, development banks, companies, banks, and private investors to join the B20 Green Growth Club and support its efforts.
- We call upon governments, including finance and development ministers, to engage with the club and create an enabling policy environment for green growth by implementing task-force recommendations for:
  - Promoting free trade in green goods and services
  - Achieving robust pricing on carbon
  - Ending inefficient fossil-fuel subsidies
  - Accelerating low-carbon innovation
  - Dramatically increasing efforts to target public funding to leverage private investment

## B20 Task Force on Employment

The B20 Task Force on Employment has proposed five “Priority Actions for Los Cabos” to G20 stakeholders. These have been developed based on three foundational principles: first, that the priority actions be scalable, hence able to make a significant impact on the challenge of unemployment; second, that they are able to be locally adapted to match the social, political, and economic environments of the different G20 countries; and third, that they be formulated and adopted in such a way that stakeholders can be held accountable for their implementation over time.

While all five priority actions proposed by the task force represent sets of tangible, actionable ideas, two ideas in particular represent significant opportunities for G20 stakeholders to contribute to job creation.

1. Facilitate growth of small and medium-size enterprises (SMEs) and innovative business models.

### Concrete action

Business leaders and associations, with the support of local governments, should commit specific resources to supporting growth and innovation potential along value chains, including identifying and strengthening high-potential SMEs, cooperatives, and social enterprises.

In all G20 economies, significant employment could be created by targeting and supporting those enterprises with both the desire and potential for rapid revenue and employment growth. Larger organizations, particularly multinational corporations, have a unique opportunity to identify and strengthen such entities, using their knowledge and experience along value chains and building on existing supplier, customer, and community relationships.

### Commitments needed

- We call upon business leaders to commit to setting aside a specific or increased amount of funding as well as leadership support for these activities, with the goal of investing such resources along their value chain in the coming 12 months.
- We call upon governments from pilot countries to commit to creating enabling local environments for such value-chain and community-related investing, and identifying local government champions.
- We call upon G20 governments and academic leaders to invest in research on a robust methodology for targeting those enterprises with characteristics that indicate high growth potential.

- We call for the setting up of a pilot coalition of interested governments, academic institutions, and businesses (in at least five countries across Europe, Asia, Africa, North America, and Latin America), that will commit to designing and testing a cross-G20 internship and apprenticeship exchange scheme, similar to the Erasmus program in Europe and North Africa, by June 2013.

## II. Scale internships and apprenticeships.

### Concrete action

Business leaders and associations, with the support of national and local governments and academic institutions, should commit to a major campaign to scale and improve the image and quality of apprenticeships and internships.

The existence of a skills mismatch between the demands of business and labor-force supply creates unnecessary unemployment and retards growth. Particularly among young people, both general employability skills and specific technical skills are often lacking. This mismatch can be somewhat alleviated by scaling and improving the image and quality of apprenticeships and internships, whereby job-relevant and career-enhancing skills are imparted in a supportive environment.

### Commitments needed

- We call upon business leaders to commit to a specific, incremental increase in apprenticeships and internships, with a suggested increase of 20 percent for the 12 months ahead.
- We call upon G20 governments to upgrade and scale local apprenticeship and internship programs by working with training providers, accrediting bodies, education departments, and businesses on the content, curricula, and design of apprenticeships and internships.

# B20 Task Force on Improving Transparency and Anticorruption

The need for concrete and continuous action by G20 governments and businesses remains as strong as ever. The B20 urges G20 leaders at Los Cabos to give a clear and permanent mandate to the G20 Working Group on Anticorruption in order to lock in and further advance the considerable progress that G20 countries have made, both individually and collectively, on combating corruption and improving transparency. In particular, the business community invites the G20 to further develop the Seoul Anticorruption Action Plan in order to (i) ensure its full implementation by all G20 countries; (ii) tackle areas that have not been covered so far, for example, illicit flows, transparency in international payments, and corruption in the organization of major sport events.

We highlight below our most pressing recommendations, with a focus on key actions and decisions that can be taken at the Los Cabos summit and in the lead-up to the next G20/B20 Summit in 2013.

## I. Key priorities for G20 governments.

The key transparency and anticorruption priorities for governments should be to streamline their public procurement processes, to address the demand side of bribery, and to encourage and offer incentives for business action against corruption.

### Commitments needed

#### PROPOSED IMMEDIATE ACTIONS:

- G20 leaders should reaffirm (at Los Cabos) the mandate of the G20 Working Group on Anticorruption with a view toward: securing the full implementation of the Seoul Anti-Corruption Action Plan; identifying and developing new streams of work; and maintain-

ing a strong and continuous dialogue with the business community.

- All G20 governments should commit (at Los Cabos) to conducting independent assessments of their public procurement systems through Organisation for Economic Co-operation and Development (OECD) integrity reviews and other mechanisms, and to publishing the results (by 2013).
- The G20 should adopt (at Los Cabos) common principles on asset disclosure for public officials in vulnerable positions, and all governments should implement them in a timely manner (by November 2012).
- G20 governments should agree (at Los Cabos) to develop a compendium of best practices in the fight against solicitation, establish appropriate high-level reporting mechanisms to address allegations of solicitation of bribes by public officials (by mid-2014), and endorse the setting up of a pilot project in a country willing to test such mechanisms (by November 2012).
- The G20 should develop and endorse common principles on enforcement of foreign bribery legislation (by November 2012).
- One pilot country, preferably Mexico, should be selected this year (at the Los Cabos summit) for a pilot program on transparency and anticorruption. In cooperation with the private sector, G20 leaders would explore the focus country for possible engagement processes and mechanisms during its upcoming United Nations Convention Against Corruption (UNCAC) review (by the beginning of the next review year in July 2012) and during the follow-up on the recommendations from the review process (by September 2012).

#### FOLLOW-UP ACTIONS:

- Governments, in cooperation with the United Nations Office on Drugs and Crime and technical-assistance providers, should agree on a model review process for private-sector involvement in the UNCAC review mechanism (by April 2013) and should assess the effectiveness of the selected approach (by mid-2013).
- Export credit agencies of G20 countries should develop anticorruption training programs tailored to small and medium-size enterprises (SMEs) (by end-2013).



- G20 governments, with the support of the OECD and input from the private sector, could devise a checklist for transparent processes during the pre-tendering and execution phases (by 2013).
- G20 governments should introduce measures asking companies, including state-owned enterprises, to certify that they have a robust anticorruption compliance program in place as an eligibility requirement to participate in public tenders and to benefit from export financing (by end of 2013).
- Governments should address issues related to article 4.3 of the OECD's Anti-Bribery Convention and articles 48 and 49 of UNCAC concerning multiple jurisdictions, law-enforcement cooperation, joint investigations, and coordinated sanctions, and should evaluate the need to revise national rules (by mid-2013).

## II. Key priorities for the business community.

The key transparency and anticorruption priorities for the business community should be to increase its participation in collective-action and sectoral initiatives, to encourage cross-fertilization through the sharing of best practices and training materials, and to engage SMEs through supply chains.

### Commitments needed

- Companies should invite participants in their value chain to join existing collective-action initiatives in their respective sectors and/or to initiate multi-sector initiatives (ongoing).
- The B20 should select a head of the collective-action hub initiative (by mid-2013) charged with designing and developing a central hub that will provide information on existing collective-action initiatives (by mid-2014).
- Companies should engage SMEs through their supply chains and provide them with concrete support in the adoption of best practices in resisting corruption, including, possibly, through the launch of an industry-sector supply chain initiative (by end of 2013).
- The business community should develop training materials on anticorruption compliance (by end of 2012) and deliver a “train the trainers” program aimed

at compliance officers from the private sector (by mid-2013).

## III. Key priorities for joint government and business action.

The key transparency and anticorruption priorities for joint government-business action should be to further develop a platform of dialogue, promote participation in integrity pacts, support efforts to raise SME business-integrity standards, and identify good practices to facilitate active cooperation between companies and enforcement authorities.

### Commitments needed

- Governments and businesses should work together to deepen the G20/B20 dialogue. One means for doing this would involve the creation of a permanent platform, through which both actors could develop and implement realistic commitments (by end of 2012).
- Governments and businesses should commit to entering into integrity pacts and other joint sectoral initiatives (ongoing) and should establish active participation by companies in such initiatives as an eligibility requirement for participating in public tenders.
- Relevant G20 government bodies and business associations should devise a strategy to disseminate model codes of conduct tailored to SMEs and should encourage SMEs to implement an anticorruption program as a condition for participating in public procurement (by end of 2013).
- Governments and business should identify good practices that would encourage (with incentives) self-reporting by companies and active cooperation with enforcement authorities, and where appropriate, should carry out pilot projects (by end of 2012).

The B20 Working Group on Improving Transparency and Anticorruption, with the support of the International Chamber of Commerce and the World Economic Forum, remains committed to leading and facilitating business engagement with G20 leaders—at Los Cabos and beyond—to further advance the global anticorruption agenda.

# B20 Task Force on Trade and Investment

The B20 Task Force on Trade and Investment has made six recommendations to G20 leaders, which taken together constitute a focused and integrated “action agenda for Los Cabos” on trade and investment.

At the request of the B20 Task Force on Advocacy and Impact, the Task Force on Trade and Investment suggests that immediate implementation of three of these recommendations would significantly boost global efforts to spur jobs and growth. The three priority recommendations are as follows:

I.  
The G20 should push for rapid progress on specific, prioritized items on the World Trade Organization (WTO) negotiating agenda, in order to promote the long-term interests of both developing and developed economies.

#### THESE ITEMS INCLUDE:

- Concluding the negotiations on a multilateral agreement on trade facilitation
- Encouraging the implementation of trade-enhancing measures for the least developed countries, for example, the phasing out of cotton subsidies
- Eliminating agricultural export subsidies
- Expanding the Information Technology Agreement
- Finalizing agreement on the transparency mechanism for preferential trade arrangements
- Completing the Dispute Settlement Understanding review negotiations

#### Potential barrier

Disagreement among G20 members, or attaching conditions to the implementation of some items.

#### Commitments needed

- In addition to expressing support for prioritizing the items above within the WTO, the G20 should encourage other WTO members to also support such an approach.
- Such a decision could be implemented immediately by WTO members if they agree.

#### Commitments made by the task force

The B20 Task Force on Trade and Investment is committed to discussing the benefits of such a decision with G20 leaders at Los Cabos.

II.  
The G20 should lead by example in rejecting measures that restrict trade and investment and in promoting measures that enhance them.

#### Potential barrier

Disagreement among G20 members on the need to strengthen the G20's capacity to consider the impact of trade and investment measures.

#### Commitments needed

- G20 leaders should give G20 trade ministers a mandate to conduct regular peer reviews of trade and investment measures and their impacts. Reports compiled by the WTO, the United Nations Conference on Trade and Development, and OECD can provide a factual basis for such reviews. This peer-review process should lead to the effective rollback of measures that restrict trade investment and to the establishment of common principles for open and fair competition.

#### Commitments made by the task force

- The B20 Task Force on Trade and Investment stands fully behind the G20's earlier commitments to reject protectionism and is ready to work with the G20 on establishing and contributing to the peer-review process.

III.

The G20 should reiterate its support for open, cross-border investment as an essential contributor to growth, development, and job creation and take concrete steps to advance an international investment agenda.

#### Concrete action

The G20 should create a working group on investment to identify issues, impact, and key action areas and should report back to the next G20 Summit in Russia in 2013.

#### Potential barrier

Disagreement among G20 members to move this agenda forward

#### Commitments needed

- The G20 should encourage a broad dialogue on international investment issues.

#### Commitments made by the task force

- The B20 Task Force on Trade and Investment welcomes a discussion on investment with G20 leaders, ministers, and sherpas as well as the opportunity to contribute to the implementation of a forward-looking G20 agenda on this issue.

## B20 Task Force on ICT and Innovation

Information and Communication Technology (ICT) has proven to be a major transformative force, driving socioeconomic progress and productivity around the world. When fully deployed, ICT has had a positive impact on society as a whole, including individuals, businesses, and governments. However, substantial differences in ICT availability between developed and developing countries remain. To address this, the B20 Task Force on ICT and Innovation has proposed four “Priority Actions for Los Cabos” to G20 stakeholders. While the task force believes that successful execution of all four priority actions is essential to fully realize the social and economic benefits of ICT, we note that two ideas in particular must take priority in order to benefit a larger portion of the population in the shorter term.

I.

### Enable broadband for all.

Enabling good-quality broadband for all involves understanding the unique environment of each country, cost-efficient construction of physical infrastructure and spectrum management, development of new business models for services, and availability of affordable devices and services for consumers to use.

#### Metrics and criteria for success

- Double the percentage of people in each G20 country who have affordable access to the Internet.

*i) ICT database:* Create a database that allows comparability of ICT-related indicators across countries and across time (for example, indicators related to coverage, quality, and cost of ICT, as well as indicators measuring the economic effects of ICT, such as digital literacy levels and e-payments penetration).

#### Commitments needed

- Telecom ministries from G20 countries should require the publication of ICT-related indicators for the private sector.

- Telecom companies should commit to providing the required information to build these ICT-related indicators
- A global entity should collaborate with telecom ministries to compile and publish the information captured at a national level.

### Commitments made by the task force

- America Movil commits to work in coordination with the International Telecommunication Union (ITU) and other multilateral organizations to establish and analyze the indicators to be tracked and the methodology to measure them.

*ii) Universal access:* Determine universal access goals based on each country's starting position and invest in creating the appropriate infrastructure for coverage based on the country's unique circumstances and established goals.

### Commitments needed

- Each country needs a local representative who commits to coordinating efforts to establish universal access goals.

### Commitments made by the task force

- The ITU commits to evaluate and report on the current ICT deployment situation in each country utilizing the indicators described above, and agrees to establish improvement goals for each of the key indicators.

*iii) Regulatory framework:* Each country should ensure that it has enacted a regulatory framework that creates the incentives and environment to stimulate investment and competition across all sectors of the ICT ecosystem. This framework should facilitate use of newer technologies and mechanisms such as dynamic spectrum access to enable economic viability in all areas.

### Commitments needed

- Telecom ministries and regulators should commit to adapting the regulatory framework in order to facilitate and promote the needed investments.
- Governments should commit to creating universal service funds and/or establishing public-private partnerships as additional funding mechanisms to

accelerate infrastructure development in areas where market mechanisms fail.

## II. Develop content and applications for the public good: social inclusion through ICT.

Having access to government services, education, banking, and real-time information such as flight information, traffic, waiting time for certain services, and so on improves and enables society as a whole. For the benefits to be fully realized it is important to provide access to the technologies and information necessary to develop local content and applications; provide access to traditional services for previously underserved population segments through ICT content and applications; and leverage ICT to create new economic opportunities for businesses and entrepreneurs.

*i) Development and digital literacy:* Develop capabilities and provide access to the technologies necessary to develop local content and applications and improve basic and digital literacy by creating targeted programs to teach ICT skills.

### Commitments needed

Education ministries and telecom ministries should expand the formal education system to provide programs to improve digital literacy and ICT skills.

*ii) Regulation:* Each country should ensure that it has enacted a regulatory framework that enables development and deployment of digital services. For example, financial regulations may need revision to allow mobile banking. Regulations should enable delivery of e-government services.

### Commitments needed

- Governments should computerize their administrations, provide public-sector data free of charge or at a marginal cost, and migrate to online services.
- Telecom and finance ministries along with regulators should adapt the regulatory framework in

order to facilitate and promote new content and application services such as mobile banking, health, education, and government.

iii) *Technology platforms*: Invest in technology platforms to provide content and applications for the public good.

### Commitments needed

- Telecom and finance ministries should work with the private sector to develop and promote financial incentives for investment in the necessary technology platforms to provide content and applications.

## B20 Task Force on Financing for Growth and Development

The B20 Task Force on Financing Growth and Development has proposed five “Priority Actions for Los Cabos” to G20 stakeholders. The shared agenda for the business community and governments is to foster growth that promotes jobs and development. Finance is the oxygen of economic growth, and the core focus of the Task Force on Financing for Growth and Development is to make concrete recommendations on how the financial sector can support growth, job creation, and economic opportunity. With a particular focus on emerging markets, this task force has taken a broad view of financial inclusion, looking at widespread access to formal financial services by promoting existing access points, including public networks and government offices, as well as innovative distribution channels, including third-party correspondent and mobile-service providers, in addition to access to credit and banking services for individuals and micro, small, and medium enterprises (MSMEs). The task force has also developed specific recommendations on how to promote financial education in order to develop financial capabilities and a savings culture among un-/underbanked groups.

The recommendations of the task force call for the regulation of certain activities to be more reflective of their risk, for actions to reduce risk, and finally, for a degree of risk sharing between government and the private sector when it is necessary for growth or development. The financial-services sector will be able to meet the needs of the financially excluded and help foster economic growth and development if these recommendations are implemented.

Two of the ideas that provide a significant opportunity for G20 stakeholders to make real progress in financing growth and development are outlined below, along with the priority actions.

I.  
Trade finance: The G20 should recognize the low-risk nature of trade-finance activity and the value it provides for emerging economies and take action to reverse the unintended consequences of the capital and liquidity treatment of trade finance.

### Rationale

Trade finance has an important role to play in helping to facilitate global trade, economic growth, and job creation. Trade finance is a low-risk activity: using a dataset of 60 to 65 percent of traditional global trade-finance activity (worth about \$2 trillion to \$2.5 trillion), the International Chamber of Commerce found fewer than 3,000 defaults in the full dataset of 11.4 million transactions. In light of the global economic slowdown and the low-risk nature of trade finance, the G20 should reverse the unintended consequences of the capital and liquidity treatment of trade finance. Actions to overcome the unforeseen regulatory and real-economy impact on emerging markets should be taken.

### Concrete Actions

- Identify actions that lead to a more appropriate regulatory regime for trade-finance activity.
- Address restrictions to trade-finance activity in revised regulatory rules, in particular Basel III and Basel II. More specifically:
  - Capital: A waiver of the one-year maturity floor for trade loans and receivables and agreement that there should be a harmonized approach to implementation. Creation of a trade-specific asset-value correlation or risk curve and a harmonized approach to implementation
  - Liquidity: A defined liquidity requirement for trade contingents (letters of credit and trade guarantees) based on data from the International Chamber of Commerce. Recognition of trade-finance inflows from corporate counterparties at 100 percent
  - Leverage: A consistent credit conversion factor of 20 percent for medium-/ low-risk off-balance-sheet trade-finance exposures and 50 percent for medium-risk off-balance-sheet exposures

for the purpose of the leverage ratio, as Basel has been applying since 1998 (Basel I), as well as under Basel II for certain trade contingents

Immediate action to start process: Consult on specific changes to capital, liquidity, and leverage requirements for trade finance.

### Timeline

Launch consultation before the end of 2012 to align any changes with Basel III implementation.

### Commitment needed

- Individual companies to provide data and input where required (This task force commits to supporting this process and engaging with the Financial Stability Board and governments as they move the study forward.)
- The International Chamber of Commerce to help coordinate industry-wide data.
- Government support to commission the study; G20 countries to take the lead in identifying the restrictions and to take action to reduce impediments to global trade.
- Basel Committee on Banking Supervision consultation and engagement.

II.  
Financial inclusion (SME): The G20 should support efforts by all countries to increase SME finance through better provision of data on SME credit-risk guarantee programs and a unified national agency that promotes this segment.

### Rationale

SMEs are the lifeblood of the economy, and it is essential they are able to secure the credit they need. G20 leaders should support efforts by all countries to improve data on SME finance. In particular, bank access to credit data will help banks reduce the costs and increase the availability of credit. The creation of credit bureaus and the expansion of their data are essential steps in the development of effective credit markets and will help to

reduce the risks to the financial system. Insufficient data are available to evaluate SME credit risk despite the fact that SMEs employ around 75 percent of employees and contribute between 30 and 60 percent of GDP and 45 percent of net new wealth. According to McKinsey, the presence of a credit bureau decreases the percentage of MSMEs reporting constraints in financing from 49 percent to 27 percent, increases the chance of loans being granted from 28 percent to 40 percent, and cuts default rates from 2.2 percent to 1.3 percent for large banks and from 2.4 percent to 0.5 percent for small banks. And there is significant room for improvement: currently, only 5 to 30 percent of MSME borrowers are covered by credit bureaus.

### Concrete actions

- Accelerate development of credit bureaus through traditional and new providers such as telcos, with a particular focus on SME data.
- Develop partial-guarantee schemes for SME finance and microfinance institutions, including support for rural supply chains.
- Identify single national public entities to coordinate all SME support in a country, including government support programs, funding, and guarantees for SMEs. Information from this entity will support data creation for credit bureaus.
- Create a requirement for all credit providers to submit data to credit bureaus.

Immediate action to start process: Targets to be established and an implementation timetable agreed on

### Timeline

- Set ambitious targets under the Mexican presidency and agree on an implementation timetable.
- Develop framework by end of 2012.
- Identify options throughout 2013.

### Barriers to implementation

- There are difficulties in gathering data and a need for passage of national legislation.
- There is an up-front cost implication as well as a need for a new oversight body.
- Many organizations are involved with SMEs that will still need to be engaged.

- It is necessary to capture nonregulated financial entities in the reporting process so that data provision is complete.

- There needs to be a process of supervision to guarantee the quality of the information reported to credit bureaus.

### Commitment needed

- Building this system will require the support of governments to develop credit bureaus, and of financial institutions and financial-literacy providers (that is, academic and private institutions) to promote their importance. This task force calls on the G20 countries to take the lead in establishing or strengthening credit bureaus, ensure that all financial institutions are reporting client data to the credit bureaus, take concrete steps to develop partial-guarantee schemes for SME finance, and then establish and champion this work.

- Federal and regional government, SME, and export-finance input will be needed to build this system. G20 countries can take the lead and look to business for support. This task force commits to supporting the actions outlined above, and to promoting credit bureaus across all the markets in which we are based. Where there is expertise to help build the system, this group will engage in consultation and provide input to the development process to ensure that the most effective system is implemented and to increase access to funding for SMEs and microenterprises to help establish credit histories for an un-/underbanked sector. ♦





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