G-20Y SUMMIT COMMUNIQUÉ 2014

1. We, the young business and financial leaders of the G20 countries, gathered in Montreux, Switzerland, for the fifth annual meeting of the G-20Y Summit on September 10-14 2014, with an overall view to strengthen international cooperation between business and financial leaders and to find innovative ideas towards sustainable prosperity on a mid- to long-term perspective.

2. As a result of three days and five formal sessions of discussions, we, the young business and financial leaders of the G20 countries, have developed a set of recommendations on the ten topics on the G-20Y agenda, namely:

   - I. Energy Markets
   - II. Food Security
   - III. The City of Tomorrow
   - IV. Global Demographic Developments
   - V. Global Financial Reforms – Banking
   - VI. Global Financial Reforms – Insurance
   - VII. Global Financial Reforms – Alternative Investments
   - VIII. Private Infrastructure Investment
   - IX. Global Trade Obstacles
   - X. Creating Jobs

3. The recommendations made by each committee include the views of public sector local and regional representatives, as evidence of our will to:

   - acknowledge the key role of all levels of government and legislative bodies, and the need to include decision makers from each of these various levels into the planning and implementation of policies; and
   - reaffirm the important role that such authorities and communities can play in implementing the G20 recommendations, by engaging both citizens and stakeholders.

4. While we acknowledge that the G20 is one of the most relevant forum to address the world's most pressing and immediate issues, we believe that the G-20Y is an indispensable and complimentary forum for addressing these issues in the longer term.

5. We therefore invite all governments, international institutions and non-governmental organizations involved in the international decision-making process to take into consideration the voice of the young business and financial leaders and to implement the recommendations set out in the present G-20Y Communiqué.

6. Where applicable, we commit ourselves to promote the implementation of these initiatives as applicable to our countries, businesses and roles, through our individual actions and by leveraging our professional networks.

I. ENERGY MARKETS

7. We believe realizing sound and well functioning energy markets is a fundamental challenge for future growth and prosperity. In particular, governments need to address the two critical issues of tackling climate change and ensuring access to energy.

   - Increasing level of greenhouse gas emissions has global and irreversible effects on climate and life on earth. We believe it is paramount to act against climate change as the cost of inaction will increase over time.
   - Similar to clean water, access to reliable energy should become a basic right for everybody. Currently, 1.3 billion people around the world do not have access to electricity.

8. We therefore recommend G20 governments to prioritize actions in five areas.

A global framework on greenhouse gas reductions

9. We call countries to agree on an international treaty on climate change at the 21st session of the Conference of the Parties to the United Nations Framework Convention on Climate Change (UNFCCC), which will be held in Paris in 2015. The treaty shall be based on two commitments:

   - a binding target for greenhouse gas reductions at a global level that will prioritize the most cost effective emission reductions first. The binding target shall be based on setting up a price for CO2 emissions that will incentivize the most valuable emission reduction and will reflect the real price of energy, including externalities; and
   - developed countries should recognize that the contribution from certain developing countries to the global reduction of CO2 emissions has to take into account social and economic realities of these societies.

A global framework for energy markets

10. We believe in free trade of energy in a common energy market, in order to promote efficiency of energy investments. We ask policy makers to implement commercially integrated markets.

11. We believe in transparency of the real cost for energy production in order to enable fair and competitive steering signals for energy markets. We ask policy makers to set up a framework for a full cost reflective calculation across all energy technologies.

12. We believe that direct government retail subsidies are distorting consumer retail prices. We ask governments to refrain from retail cross subsidies, and to pursue efficient and affordable energy generation strategies.

13. We believe that renewable energy is key for delivering low carbon energy production. We acknowledge the necessity to support renewable technologies until they become mature. We call policy makers to provide for market based support mechanisms.

14. We believe in governments having to provide for stable business environments in order to enable investors undertaking long-term investments with confidence. For this, we call on governments to refrain from retroactive measures and to offer a stable investment climate.

Encourage the development of demand-side and supply-side infrastructure at global level

15. Energy infrastructure is critical for market development and can promote job creation. The right type of investment will foster the security of energy supply and enable better demand-side management of the energy network. We need regulatory measures and incentives to:

- encourage management, measurability and visibility of energy consumption for end users, support digitalization of the whole energy value chain and develop smart energy infrastructure (smart grid, smart cities, smart buildings, and digital factories);
- create a framework that allows for effective grid integration of renewable energy sources into the energy market;
- develop interconnection networks in order to integrate the various national markets by promoting investments in transnational grids and infrastructures.

A renewed framework on energy efficiency

16. We believe improving energy efficiency can deliver a range of benefits to the environment, economy and society. According to the International Energy Agency (IEA), only 1% of the energy efficiency opportunity is being captured today. Therefore, we believe there is room for significant improvement. We recommend the following points:

- governments need to take the lead in setting and enforcing higher standards, labeling the energy efficiency of systems, as well as implementing incentives schemes for better consumption behaviors;
- governments, the private sector, and the civil society need to engage and educate society so that citizens can understand and own benefits of energy efficiency and implement responsible consumption behavior; and
- governments need to enable innovation and market deployment of energy efficiency technologies via financial incentives.

Ensure global access to energy

17. Access to energy will fuel economic activity and increase standards of living. The right to energy must be a global priority.

18. We recommend G20 governments to support both innovation and financing schemes to develop integrated off-grid energy solutions.

19. Globally, we call for the introduction of mechanisms that encourage industrialized countries to invest in low carbon technologies in developing countries that could offset their own greenhouse gas emissions.

II. FOOD SECURITY

20. Food security exists when all people, at all times, have physical, social and economic access to sufficient safe and nutritious food that meets their dietary needs and food preferences for an active and healthy life. Imbalances in our global food system must be addressed: 800 million people go hungry, 2 billion suffer from micronutrient deficiencies, 2 billion are overweight and population growth continues.

21. We believe that access to nutritious food is a universal human right and therefore we make the following recommendations:

Reduce food waste

22. As a result of waste 30% of the food produced in the world never reaches any stomach. In G20 countries up to 25% of purchased food is wasted. Our call to action to G20 countries is to reduce avoidable food waste by 50% by 2030 with a focus on the following:

- adopt "Food Donation Acts" that remove liability from food donors for what they give except in case of gross negligence or intentional misconduct. Allow companies and individuals to deduct the cost of donated food from tax;
- revise regulations on "sell by", "display until", and "best before" mentions in order to eliminate confusion among consumer on food expiration dates. Use cheap, mass-produced sensor technology that can detect spoilage in certain perishable foods to replace current date marks;
- re-introduce under strict sanitary guidelines the practice of swill feeding to absorb food surplus; and
- create electronic platforms to link excess local food supplies to the need of food insecure people.

Boost production

23. Pest management continues to be a major source of crop loss (up to 40%) and disproportionally hurts the world's least productive farmers. Therefore G20 governments should:

- recognize that all production systems require effective pest management: conventional, organic, Genetically Modified Organism (GMO), large and small;
- standardize global regulations on pesticide Maximum Residue Levels (MRL) to allow greater trade opportunities for all farmers;
- support innovation through technology and science based developments. Decisions to use new technologies shall be taken as a result of evidence-based discussions and take into account the risks of utilizing such technologies as well as the costs of not using them; and
- strengthen regional and global biosecurity systems. This includes roles, responsibilities, priority areas for collaboration, and internationally coordinated preparedness and response to biosecurity and food safety crisis.

Food comes from a farm

24. As the vast majority of the high income countries population is two or more generations removed from agriculture, consumers become less informed on the care that farmers take to produce the world's food, leaving them vulnerable to misinformation and scare tactics. We therefore recommend G20 governments to:

- appoint an expert panel of leading scientists to engage in complex science-based topics in order to provide risk assessment on technologies that can be used in agriculture. This panel would disseminate their conclusions; and
- educate children and consumers to increase their understanding of what they eat and the process behind it.

Farm the seas

25. With three quarters of the earth covered with seas, the potential for sustainable aquatic farming is untapped. Therefore governments should:

- prioritize sustainable aquaculture policies and resources; and

- develop future aquatic feed alternatives.

Preserve water and soil

26. Less than 1% of water on earth is fresh and available for food production. Arable land only accounts for 11.5% of the earth surface and soil quality is fragile. We applaud the United Nations for declaring 2015 the "International Year of Soils" and recommend governments tosupport the farmer's role as the custodian of the soil and promote conservation agriculture.

Enable smallholders

27. Over 90% of the world's farmers are smallholders. They farm one third of the total cropland but only produce less than 20% of the world's food. And yet their role is critical as they provide 80% of all food consumed in the developing world. Therefore we recommend that the private and public sectors work together to:

- provide training opportunities to farmers in farm and business management and share best practices of extension;
- scale up smallholder cooperatives to enhance buying, production, selling and financing power;
- leverage technology that enables discovery of fair price;
- ensure that international food assistance relies on local procurement when possible; and
- provide tax incentives for investors in agriculture infrastructure.

Realize the Zero Hunger Challenge

28. The G20 countries should provide full endorsement to the Zero Hunger Challenge launched by the United Nations Secretary-General in June 2012. This vision identifies five priorities to end hunger and ensure food security and nutrition: zero stunted children less than 2 year old, 100% access to adequate food all year round,sustainability of all food systems, 100% increase in smallholder productivity and income, andzero loss or waste of food.

29. All countries should develop national policies and action plans to take on this challenge, with clear accountability mechanisms and appropriate financial support to achieve these goals by 2030.

III. THE CITY OF TOMORROW

30. Urbanization is happening at an unprecedented speed and scale, driven by population growth and the emergence of a developing consuming class. This is affecting major cities in developed and emerging countries. This unprecedented movement of people is forecast to continue and intensify in the next few decades, mushrooming cities to sizes incomprehensible only a century ago. This is creating recognized challenges in the areas of economic, social, environmental, governance, infrastructure and technology.

31. We believe that these challenges require different responses between the developed and developing cities.

32. Developing cities:

- have the advantage of a clean sheet approach allowing them to incorporate latest technologies;
- are attracting higher populations at a faster speed with lower standards of living; and
- have the opportunity to balance social and environmental needs along with economic development.

33. Developed cities:

- have higher gross domestic product (GDP) per capita and have the potential to capitalize on their existing infrastructure and to embed sustainable development approaches;
- have established identities and brands with specialization; and
- have existing relationships with their surrounding areas and regions.

Recommendations for developing cities

34. Develop integrated national, regional and local urban planning and design for top 20 developing cities:

- recognize and incorporate the effective programs of United Nations Habitat, supplement or replace ineffective programs;
- develop understanding of the need for regional visions and urban plans;
- organize annual workshops among key cities of G20 countries and top 20 developing cities for the sharing of best practices, the review and the continual improvement of the integrated urban plan for developing cities;
- improve effective and efficient public-private partnership projects:
  - public: urban planning department;
  - private (on a rotating basis): architect, urban planners, construction companies; and
  - advisers, consultants.
- engage community and key stakeholders early on for buy-in of the integrated national, regional, and local urban plans (democratic process or vote).

35. Continually develop and improve competencies of implementing partners for more effective implementation:

- identify, involve, and engage appropriate implementing organizations in the planning process;
- understand the competency gaps of implementing organizations and support them;
- support and facilitate best practice / process sharing amongst implementing organizations of top G20 cities and top 20 developing cities;
- support to facilitate fundraising; and
- take advantage of leapfrog technologies to rapidly narrow gaps with developed cities.

36. Establish, drive and sustain transparency to protect the integrity of the programs, foster fair competition, enable efficient resource allocation, and maintain public trust:

- measure and reward managers (public / private) according to results;
- identify and implement proven public information and communications technologies to make project development, bidding, and implementation processes transparent;
- develop effective and pro-active communications (analog and digital); and
- ensure visibility of processes (locally, nationally, and internationally).

37. As developing cities take their steps there is an opportunity for them to increase the speed of their transition by working more closely with the developed cities of our world.

Recommendations for developing cities

38. Focus on high speed efficient transport links connecting regions to mega cities in order to slow down direct urbanization and to support sub-urbanization and development of conurbations. This will enable the spread of economic development to broader metropolitan areas and encourage national urbanized networks, i.e. to focus on national benefit rather than city centric.

39. Preserve and enhance heritage and cultural assets in urbanized areas, creating desirable and attractive environments for current and future inhabitants of all ages and demographics, e.g. European city of culture concept and Vienna's policy on heritage and identity.

40. Accelerate and encourage asset renewal aimed at containing urban sprawl and incentivizing energy, water and transportation renewal in supporting the regeneration of local amenities.

IV. GLOBAL DEMOGRAPHIC DEVELOPMENTS

41. G20 countries are facing a variety of demographic challenges caused by increased longevity, aging populations, and talent mobility. The world population is expected to reach 9.6 billion by 2050 up from 7.2 billion today, but is highly dependent on fertility rates, which are below replacement ratios of 2.1 for most developed countries.

42. The society is aging; falling fertility rates plus increasing longevity are the primary drivers. As a consequence, median age of humanity has increased by five years in the last 20 years to 29.1 years in 2010. 16% of all Europeans are 65+, representing more of the population than those under 15 years of age. By 2025, the number of 65+ will exceed 20% of the population. The fastest growing demographic overall is the 80+ age group.

43. By 2050, the dependency ratio, will at least double to triple: there will be a 4 to1 ratio of working people per elderly versus today at 9 to 1. The issue is most immediate in the developed world, although it is also relevant to developing countries. For people 65+, the expectation of remaining life will grow by 20% from 22.5 remaining years in 2010 to 27 remaining years (2050).

44. Demographic bubbles and unanticipated migrations may strain countries' national resources of housing, food, transportation, infrastructure, education and current fiscal social spending. It is anticipated by 2030 the world must increase food production by 50%, close a 40% gap between water supply and demand, and increase energy production by 30%. Rising income inequality and price volatility may magnify and exacerbate these trends. Natural resources such as water, food, arable land, and energy are unevenly distributed among countries that expect rapid demographic growth.

45. Given the pressure on countries' economic and financial situation, the current healthcare budgets are unsustainable due to fewer people participating in the economy and the increasing need for care of an aging population. The health systems in developed countries today account for 5 to 10% of GDP, averaging 9% and representing the second most important expense bucket. Costs are projected to increase by 0.5% to 9.5% in 2060. Chronic (and some lifestyle) diseases remain and the healthcare budgets cannot carry the burden.

46. The aging population will increase the pressure on the current pension systems, which are underfunded to carry the inflow of the elderly. The pension systems in developed countries accounts for 8 to 16% of GDP, averaging 12% and representing the most important expense bucket. Those costs are projected to increase heavily by 2% to 14% in 2060.

47. Demographic changes will increase the gap between supply and demand for talent. Today, 30% of employers worldwide find it difficult to fill positions. The growing aging population is a readily available source of experienced talent. In addition, women are an untapped resource of educated talent in many countries.

48. Our recommendations fit into three themes: stress on national resources,impact on healthcare and pensions, and talent scarcity.

Stress on national resources

49. In order to address the impact of the stress on national resources, we recommend that the Organization for Economic Cooperation and Development (OECD) and the International Monetary Fund (IMF) develop, publish and promote a common, annual National Resource Gap Index, for all countries, that maps and forecasts long-term stress or surplus on key national resources such as food, water, energy, and raw materials based on key demographic, consumption and development patterns.

- Each country can use the index to promote an active discussion about the tradeoffs between their needs and resources of today and the future.
- We recommend nations embark on a proactive campaign to increase awareness of the cause and effects of gaps through multi- and social-media channels and to promote measures, which reduce stress and increase effective and sustainable use of resources through incentives, standards, productivity enhancement and conservation. The IMF and the World Bank should collect and promote best practices of these campaigns to allow nations to efficiently tailor the efforts to their unique situation and culture.
- Beyond national efforts, the IMF could encourage complementary countries to enter bilateral negotiations to match gaps and surplus.

Impact on healthcare and pensions

50. In order to boostsupply of labor and decrease pressure on pension systems, we recommend governments positively incent organizations and workers to contribute more of a workers' lifespan to economic activity, and thereby also leveraging their wisdom and experience.

- In order to succeed, governments would need to make labor laws and pension systems suitably flexible.
- In addition, the community and employers need to establish the right environment and adapt products, services and working conditions to the needs of elderly people to remain part of the workforce.
- We recommend governments and industry develop engagement models for older workers. These could include specific tax regulations, flexible workplaces, reciprocal mentoring programs, tailoring roles and benefits, etc.

51. In order to reduce the pressure on healthcare systems, we recommend the nations, supported by the World Health Organization (WHO) and the United Nations Educational, Scientific and Cultural Organization (UNESCO), structurally embed the concept of healthier living and diseaseprevention through an education program for childrenon the balance of nutrition and physical activity, thereby modifyinglifestyles and behaviors. This program could be done in partnership with private sector partners to bringnon-traditional approaches, such as gaming solutions, that will engage children. This action will allow for the prioritization of treatment of severe diseases versus modifiable lifestyle diseases.

52. In order to reduce care cost, mental illness, and enhance quality of life, we recommend nations in collaboration with non-profit organizations, to encourage community integration and intergenerational solidarity, whereby elderly people remain part of the thriving community through different societal models such as mixed

community homes, and family reintegration. While the exact models can differ among nations due to cultural backgrounds, governments should incentivize and promote development of such communities. This can happen through a variety of potential measures, such as:

- rebalancing wealth across generations through tax incentives;
- promoting means to unlock home equity through new products such as reverse mortgages; or
- creating a sense of community through developing adequate support infrastructure to support the needs for cross-generation integration in localities.

Talent scarcity

53. In order to reduce the gap in supply and demand of talent, we recommend the G20 countries collaborate to facilitate talent migration.

    - We recommend the creation of a global standard of qualifications/equivalency through the higher-level non-university and university education system, which would allow employees to move seamlessly between countries. We recommend consideration of UNESCO International Standard Classification of Education as a partner.
    - To further address country scarcity in specific professions, we recommend the creation of a visible and unified G20 job market portal, leveraging infrastructure of existing global portal sites (e.g. monster.com), and customized through partnership with government and industry. This portal offers employers a place to post their openings globally and provides potential employees with links to certified agencies that assist with migration and links to qualification requirements. An initial pilot could be launched for caregiver needs in Germany, in partnership with the Global Commission on International Migration (GCIM) of the United Nations.

54. In order to boost economic growth and compensate for the impact of a shrinking workforce, we recommend nations focus on women as an untapped talent pool. Specifically, we recommend the UN Women's Council partner with Japan's government to pilot a model for bringing women into the workforce. Japan is recommended due to the urgency of their negative population growth and their motivation to work towards addressing this issue. Obstacles to overcome include societal and corporate cultural issues, childcare and tax regulations. In order to create political and social encouragement, and to promote a real creative change in market, a joint-work with other governments (e.g. Korea government) could be considered.

V. GLOBAL FINANCIAL REFORMS – BANKING

55. We acknowledge that the G20 has made significant progress in its agenda to reduce the risk of future financial crisis and create a more robust financial system. This is an essential prerequisite to the G20's primary objective to enable sustainable and balanced economic growth.

56. In particular, we believe the principles of Basel III and the concept recovery and resolution planning are fundamental to establish resilient financial institutions. We believe that these principles address many of the issues that led to the financial crisis.

57. However, the volume of financial regulation continues to increase and is becoming more nationally and regionally focused, very prescriptive, and sometimes conflicting (e.g. Dodd-Frank Act, Markets in Financial Instrument Directive).

58. We believe that thishas the following consequences:

- consequences for end-customers: increased compliance costs are partly borne by end-customers (e.g. European Market Infrastructure regulation (EMIR) reporting requirements). Market fragmentation results in reduced liquidity and higher transaction costs for end-customers (e.g. regionalization and centralized clearing of derivatives markets). Regulated banks are retrenching from certain activities (e.g. interest rate hedging, subprime lending, securitization) causing end-customers to find alternatives in the shadow-banking sector, where pricing is sometimes suboptimal and counterparty risk is higher. In some cases transfer of risk is not possible for the end-customer;
- consequences for taxpayers: the movement of certain products and services traditionally offered by banks into shadow-banking (e.g. sub-prime lending, securitization, payments) transfers risk into largely unregulated markets. As such, the issue of systemic risk has not been comprehensively addressed; and
- consequences for society: increasing national and regional versus global regulation is forcing many banks back to their home markets. This creates unlevel playing fields and the potential for regulatory arbitrage that we believe hinders global growth.

59. The objective of all regulatory initiatives should be to serve the needs of end-customers, protect taxpayers and foster economic growth for the benefit of society. We therefore urge the G20 to reassess whether the current approach is achieving these objectives.

60. We acknowledge that this is a very complex undertaking but believe strongly that success will be achieved if there is a fundamental shift towards a global, uniform and simplified approach.

A new simplified, uniform approach needs to be adopted

61. We believe the G20 objectives can be achieved by adopting the three point framework below.

62. In developing our proposal we have categorized regulation as **prudential** (e.g. capital, liquidity and leverage), **structural** (e.g. subsidiarisation, banking separation) and **market conduct** (e.g. derivatives clearing and reporting).

63. **Point 1 - Enforce a uniform approach for prudential and structural cornerstone regulation**

- Secure global agreement on, and strict adherence to, the critical cornerstones of prudential and structural regulations. Key regulations such as Basel III and recovery & resolution planning are already in place. Others, such as globally consistent AML/KYC policies, require further definition.
- The cornerstone regulations must be applied rigorously to all markets, activities, and participants (e.g. hedge funds offering lending products, technology companies providing payments solutions).

64. **Point 2 - Allow flexibility on market conduct regulations only**. In order to reflect national and regional needs, areas such as permitted banking activities, centralized clearing, trade reporting, compensation and fees can be subject to local regulation.

65. **Point 3 - Institute consequential governance**

- A prerequisite for the first two points is the establishment and empowerment of a strong, global organization that serves as a “watchdog” for financial markets.

- This organization would have supra-national power to define and implement the cornerstone regulations under Point 1 above, to monitor and enforce compliance (including authority to penalize non-compliance) and to drive development of new regulation and update.

66. A detailed transition plan needs to be developed in order to implement the above framework. We recommend the Financial Stability Board(FSB) assumes responsibility for this.

VI. GLOBAL FINANCIAL REFORMS – INSURANCE

67. We believe that insurance plays a critical role in supporting economic growth and stabilityby effectively diversifying risk and deploying capital. The reality of globalization increases the importance of insurance. Regulatory regimes must also reflect the needs of global organizations, promote diversification of risks across regions, allow for effective deployment of capital, and lower costs for insured. Insurance gives people the security and confidence they need in the face of uncertain conditions to build business and social progress.

68. The existing regulatory landscape for Internationally Active Insurance Groups (IAIGs) includes multiple and varying layers of regulation across regions. A fragmented system adds unnecessary costs and complexity. It is critical that policy makers and regulators set standards designed for insurance to avoid unintended consequences that could impact the cost or availability of insurance products, competition in insurance markets, or the role the insurance industry plays in the economy.

69. The recent global financial crisis brought heightened focus to enhanced supervision over globally important insurers. Proper policy and regulatory coordination across jurisdictions should focus on the mitigation of systemic risk while not impeding healthy and strong insurance markets, which are vital to global economic and social progress. Policymakers and regulators need to recognize that the unique characteristics of traditional insurance business do not present significant systemic risk.

70. Emerging trends in technology and demographics present new opportunities and challenges for the insurance industry to serve individuals, corporations and governments.

    - Big data and analytics are fundamental to the better understanding and management of risk. Innovative applications and solutions from big data could lead to lower costs, increased accessibility, higher customer satisfaction of insurance products and reduction of risk exposures.
    - It is a fact that the global population is aging. The insurance industry, in collaboration with governments, should play a significant role in the education and management of the risks associated with longevity, including retirement income gaps and long term care considerations.

71. The global cost of natural disasters has risen from an average of $20 billion each year during the 1990s to more than $100 billion each year by 2010-11.This significant increase is the result of the interaction between the rising number and increasing severity of events, with the concentration of people and infrastructure in high-risk areas. Natural disasters devastate whole communities, disrupt local and business networks, cause significant injury and loss of life and leave individuals unable to restart their lives due to financial and psychological damage. Post disaster recovery represents the vast majority of expenditures around the world, while insufficient amounts are invested in mitigation measures, which would help improve the resilience of communities to natural disasters.

Develop an effective, integrated and efficient global regulatory framework

72. Global systemically important insurers (G-SIIs) and Internationally Active Insurance Groups (IAIGs) should be subject to an appropriate level of group supervision. Global group supervisory colleges will provide greater

supervisory coordination with the recognition of one lead supervisor. This coordination should leverage and complement existing regimes and not create duplicative systems. Enhanced supervision is not intended to displace local regulation, rather seek to deliver harmonization of regulatory requirements across regions, allowing insurers to manage their risks in multiple territories in a comprehensive and consistent manner.

73. Systemic risk of insurance companies is best determined by the level of participation in activities deemed systemically risky and not by the size of the institution. Systemic risk regulation should remain focused on systemic risk management, allowing existing regulatory regimes to continue to governother business risks.

74. Insurance capital standards should be applied at the group consolidated level recognizing the insurer's specific business model risks and the accounting and capital regimes, while allowing flexibility for group regulators to exercise sound judgment. Capital standards should be risk-sensitive and enable comparability across jurisdictions.

Pro-actively anticipate emerging trends

75. Governments must support the digitalization of recordsand the creation of open data platform and allow appropriate access to insurers and others to interact in an innovative, risk-friendly big-data environment. The power of data and insights will help reduce risk exposure for both public and private sectors and enable the development of new products that are tailored for the customer of tomorrow.

76. Create a global data governance and control framework. This framework should be sensitive to different data types and provide varying levels of appropriate control. This will stimulate the development and delivery of innovative insurance products, facilitated by a swift regulatory approval process.

77. Big data applications will require privacy standards in order to maintain the trust of individuals, corporations and governments. Clarity on the rights of the consumer in data protection should be achieved through collaboration and development of a global blueprint for a "Consumer Privacy Bill of Rights". The privacy blueprint needs to apply across all industry sectors to ensure a level playing field and a consistent approach to the use of consumer data.

78. Establish a "retire wisely" summit in which governments, educators and the private sector come together to propose solutions and incentives to address savings gaps to retirement. This program will provide increased awareness and engagement, develop long-term care solutions and propose alternatives to public pension that support the inevitable shift of financial responsibility to the individual.

79. A call for governments to increase their issuance of long-term and inflation-linked bonds, which would enable insurers to increase their supply of pension products and meet the growing demand.

80. Accounting regimes across the globe need to acknowledge the long-term nature of pension products. The valuation of these liabilities should recognize the progression of risk over the duration of the product.

Propose a framework for improved natural perils resilience decisions

81. The global economic impact of natural disasters could be significantly reduced through carefully considered and directed investment in pre-disaster resilience.By combining private, public sector and non-profit knowledge, it is possible to make communities safer, reduce damage to property and vital national infrastructure.We call for governments to:

- coordinate ownership and provide clear decision-making authority for both pre-disaster mitigation and post disaster response;

- commit to long term funding of pre-disaster mitigation investments supported by research built on sound data and information; and
- collaborate with business and communities through the establishment of advisory groups to help understand, prioritize and action pre-disaster mitigation.

82. We recommend a public/private partnership with associations such as The Rockefeller Foundation, 100 Resilient Cities Organization (100resilientcities.org) to design and adopt a Natural Disaster Preparedness Tool that would address:

- exposure to natural peril risks;
- mitigation measures already in place (flood defenses, etc.);
- availability and quality of data and research;
- adequacy of building codes and planning standards;
- availability of government funding or incentives and price signals from the private sector; and
- community awareness programs including early warning systems, etc.

83. An organization such as The Rockefeller Foundation, 100 Resilient Cities Organization could provide a platform for the Natural Disaster Preparedness Tool that could be scaled in the future to help other communities across the globe prepare for natural disasters.

VII. GLOBAL FINANCIAL REFORMS – ALTERNATIVE INVESTMENTS

84. Following the global financial crisis, capital for riskier more illiquid assets is far less available from the banking sector. The lessons learned from the prior crisis is that the regulatory response has created a situation where banks now have to hold more capital and are more restricted in lending to this asset class. Today Alternative Investment Vehicles (AIVs) play a larger role in stimulating economic growth and in investment portfolios.

85. Question is asked if the AIVs, acting outside the regular banking system, should be regulated.If no regulation, what recommendations, if any, can be made to address the risk of fall out experienced from the recent financial crisis?

86. Our recommendation provides for a delicate balance between oversight and regulation to increase transparency while not causing further disruption to the financial markets, at the same time defining and differentiating alternative investments for this purpose.

General Recommendation

87. We propose a reporting and compliance structure to establish transparency and ultimately assist in measuring potential systemic risk that alternative investments represent individually and in aggregate to the financial system. These AIVs should also be further examined to understand each type and not group these into one overall investment class.

88. Regulation would be incredibly difficult to attain due to the complexity and diversity of these investments. Regulation also carries the risk of reduced liquidity and inefficiencies (costs, capital allocation requirements, etc.).

89. Our focus is on creating a framework of professional standards and best practices to standardize and provide consistent information for investors, regulators, and other stakeholders. Such an approach would also enhance

accountability and competition amongst the various firms in these sectors while addressing investor demands and public pressure. We believe our recommendation would provide for a more transparent environment and the assessment of potential systemic risk to the financial markets.

Specific Recommendations

90. The approach does not consider the idiosyncrasies of each category and is generalized. We recommend the following:

- for clarity and better understanding of these types of vehicles and institutions, we recommend clearly defining the various AIVs and their respective sub-categories (e.g.: private equity, debt funds, hedge funds, commodities, structured products, real assets, derivatives);
- in order to provide better transparency, we recommend the establishment of a best practices and professional standards framework (recommendation of independent review of compliance standards); and
- to provide a standardized and consistent format for all stakeholders we recommend the implementation of an enhanced reporting structure. Types of reporting requirements would be along the lines ofannual/semi-annual statements, investment strategy, portfolio activity, leverage - specific and systemic, source of funds, track record, fees/compensation, managers background (e.g. track record, criminal record, etc.), shareholding structure, environmental, social and corporate governance.

91. We believe the implementation of these types of initiatives would help create a more transparent and healthy investment environment while preserving the crucial role this sector plays in the capital markets.

VIII. PRIVATE INFRASTRUCTURE INVESTMENT

92. Infrastructure investment driveseconomic growth and social benefits and is a prerequisite for development worldwide. It is generally understood that every dollar spent on infrastructure will increase GDP by US$0.05-0.25 above the value of the investment.

93. Demand for infrastructure investment is immense and unmet.McKinsey Global Institute estimates that it will cost US$ 57 trillion to build and maintain infrastructure between now and 2030.

94. The situation is most acute in the developing world: annual infrastructure investment and maintenance needs of non-OECD countries range from approximately 3% of GDP in Latin America to over 10% in South Asia.Development in these countries benefits all.

95. Due to fiscal consolidation and deleveraging of public balance sheets, most governments are not able to meet this demand on their own.

96. Although banks and governments have limitations to meet funding requirements related to infrastructure investments, other sources of private capital exist at historical levels and can bridge the gap.

97. We have two sets of recommendations intended to facilitate the allocation of private capital to fund infrastructure investment. The first relates to overall planning and implementation of policies regarding infrastructure investment. The second consists of specific ideas that could facilitate use of new sources of capital and financing for infrastructure projects that will be critical to future growth and development.

Importance of planning, oversight and expertise

98. Many efforts to attract private investment in infrastructure fail to address issues that private investors consider critical. Specifically, some of these include:

- lack of certainty that governmental policies and priorities with respect to the project will be consistent over the life of the investment;
- inadequate scoping of the project (e.g. ensuring that all elements of the project ensured). For example, developing a mining project will require related build out of transportation, energy infrastructure, communications, etc.; and
- inadequate assessment as to key drivers of value and risk assessment for private investors.

99. Many of these failures can be addressed by the following:

Governments should establish a long-term master plan for infrastructure development

100. Most countries would benefit from the development of a long-term master plan for infrastructure development that represents a broad, sustainable consensus among public and private interests. The plan should identify broad infrastructure priorities and, based on those general priorities, specific projects and timetables. The plan should detail the anticipated social and economic benefits of proposed infrastructure, and include assessments of those specific projects within the plan with the best prospects of generating tangible financial returns capable of attracting private investors. These plans should also articulate the legislative, tax and approvals frameworks that exist or will be developed to underpin contemplated infrastructure investments.

101. A master plan of this nature will assist private investors in assessing risks and rewards associate with investments contemplated in the plan.

Create a designated agency to implement the master plan

102. Governments should create an independent, sufficiently resourced agency charged with overseeing implementation of the long-term master plan. The agency will engage with other areas of the government (e.g. relevant regulatory agencies) to ensure effective support for the plan. Having an agency responsible for implementation of the plan will help ensure continuity and certainty over time, which are important factors for foreign investors considering investing in infrastructure projects.

103. One critical function of the agency will be to have the expertise required to assess key drivers and obstacles to private investment in specific infrastructure assets. Being clear about the distinction between social benefits of the project and the financial benefits that will attract private investment will help attract investors.

Proposals to facilitate new sources of capital and funding

Create programs for credit enhancement

104. The risks inherent in many infrastructure projects typically exceed the risks acceptable to most sources of private funding. To bridge the gap, programs should be developed by which governments provide guarantees for qualifying infrastructure financing, either directly or through multilateral institutions. Guarantees provide an efficient way to use sovereign and/or multilateral creditquality to support projects without requiring significant direct allocations of capital.

105. Key elements of such a program would include:

- the program could cover multiple projects. By pooling a range of projects within the program, the guarantor can spread risk;
- guarantors could charge an appropriate fee for credit support, which fee could be used to cover expenses associated with the program and cover any eventual losses, if any;
- guarantees would not necessarily have to cover all of the costs of an infrastructure project. By creating tranches with different risk profiles (and returns), guarantors can enhance the ability of different private funders to assume risks associated with the project; and
- guarantees will also allow financing by pension funds, insurers and other nonbank sources of capital, including those located in the country where the project is located. Unlocking local financing for infrastructure projects has many advantages, including the elimination of exchange rate risks associated with nonlocal financing.

Use of foreign aid to support infrastructure financing

106. Development agencies and other aid providers should consider allocating a portion of their budgets to providing "seed" money to support capital raising for infrastructure investments. The willingness to take the initial risk on a project could attract several times the amount of the seed money, thereby multiplying the financial impact of the aid provided. When the financed project is successful, the development agency would make a gain that can be used to fund future projects.

Use of corporate social responsibility models

107. Using as a model "green bonds" issued to fund pro-environmental projects, for certain types of infrastructure (water treatment, health care and similar projects for underserved communities) governments, multilaterals and private institutions may be able to attract social responsibility contributions that could serve as financing for those investments.

IX. GLOBAL TRADE OBSTACLES

108. Globalization has changed our world in the last fifty years and helped transform markets around the globe. Trade is an essential driver of globalization. Although trade policy has been effective at reducing tariffs, it has failed to effectively address non-tariffs barriers. There is more that can be done to bring about improved rules and mechanisms to enable more transparent access to markets and we believe a step change requires decisive leadership from the G20 to empower the World Trade Organization (WTO) to drive much needed change.

The benefits of trade

109. Economic theory proves that trade is the foundation for growth. For businesses, trade represents access to new markets and the potential for job creation. For consumers, it represents more choices and accessible prices. For governments, it represents an opportunity to foster prosperity and healthy relationships with trade partners. Trade has become more inclusive; small and medium sized enterprises (SMEs) now trade in record numbers as a result of reductions in costs and scale-neutral technology, better financial tools and improved logistics. SMEs represent the vast majority of jobs – and job creation – in the G20. The opportunity for the continued growth of SMEs is being significantly impacted by trade obstacles.

Current policy situation and problems

110. Trade agreements have been largely focused on, and effective at, reducing or eliminating tariffs but fall short in tackling additional beyond the border obstacles, which have been on the rise in recent years. Moreover, recent regional financial sanctions impact global trade through cost, delay, and even exclusion of business investment.

111. Regional trade agreements like the Transatlantic Trade and Investment Partnership (TTIP) between the US and the European Union (EU) are making headway in tackling some of these barriers. The preferred model for reduction of global trade obstacles is global trade agreements, but bilateral models like the TTIP can serve as an important catalyst for reforms. The US and EU are economies that cooperate closely, representing around 50% of global GDP, encapsulating populations of similar income levels and consumption patterns. An ambitious and comprehensive trade agreement between the two will hopefully harmonize regulatory environments and foster increased trade in every area. The US Chamber of Commerce estimates that even if only half of the non-safety related regulatory differences were removed, the GDP of EU and US would grow by $200 billion per year. We believe that consummation of the TTIP could serve as a reference for other trade negotiations, including the trade facilitation agreement negotiated by the WTO.

112. The TTIP is limited to only two economic regions. The Trade Facilitation Agreement (TFA), signed in Bali by 160 countries after 12 years of negotiations, would bring a stimulus to the world economy worth $1 trillion annually with the creation of 21 million new jobs of which 18 million would be in the developing countries. We encourage the G20 to urge all WTO members to move forward with the ratification process for the TFA as soon as possible.

113. SMEs around the world are being particularly harmed by beyond the border restrictions. Five major barriers that SMEs are facing are: 1) access to finance; 2) duties, complexity, sanctions; 3) local standards; 4) finding commercial partners; and 5) liability

114. Local standards present a complex trade obstacle. Currently, many regulatory standards have a common baseline from which they begin, but national governments often build divergent standards on top of the baselines.

Innovative solutions to achieve a better future

115. The WTO is the entity best situated to handle global trade issues and its effectiveness stems from its autonomy nature. The WTO has been successful at managing and enforcing trade conflicts, but has struggled to address non-tariff barriers. We believe that part of the problem lies in the lack of a thorough process to capture and mirror the root causes that hinder market access by SME.

116. The WTO should create Local Trade Organizations (LTOs) that represent the WTO on the ground in countries around the world. Such LTOs would be autonomous and independent from governments and focus on creating an environment that would incentivize and educate SMEs to propel trade growth. LTOs would also work to create a harmonized regulatory framework across WTO member countries. Finally, LTOs must also work to understand and categorize barriers (including sanctions) that businesses are facing, through survey data and KPIs. The G20 nations should be the leaders to push for the creation of LTOs.

117. LTOs can be highly effective vehicle to inform WTO needed actions and propose concrete recommendations of trade obstacles that need to be removed. The LTOs would also educate local government officials and regulators about the most times non-intended impact that their policies have on global trade. LTOs should aid

with financial issues faced by SMEs as well by partnering with the World Bank. Finally, the LTOs would cooperate with national export bodies to facilitate, educate, and incentivize SME growth.

118. We believe that the LTO model should result in meaningful progressin the near future, and it is essential to measure and report on this progress.

119. We also have a series of specific solutions to the problems we have mentioned above:

120. In order to reduce the complexity of customs processes and the lack of harmonization we recommend unifying and digitizing customs procedures (from codes to forms) and aligning the threshold below which goods can enter the country without the need for a formal customs entry or payment of duties and taxes to $800.

121. In order to harmonize regulatory standards, we recommend following the models built with examples like the ISO, SWIFT, and TCP/IP, where baseline standards have been set globally, but we recommend that any regulatory standards built on top of the baseline also be subject to international regulatory harmonization procedures. We also recommend that where possible international standards shift towards a performance-based model where regulated entities are judged by their performance in meeting a formalized regulatory standard, rather than being forced to adopt a specific design for each market. For developing countries that might struggle to adopt a global baseline, we recommend that capacity building programs be put in place to avoid dependence of those countries upon private entities for compliance or rejecting the standard all together.

122. Finally, cross-border data flows are the fastest growing component of international trade. Given the growing importance of the Internet as a delivery mechanism for trade in services and goods, the right to move data related to covered services must be made explicit. Differing privacy regimes in each market threaten the continued efficacy of the global Internet. New digital trade rules would provide greater clarity and certainty regarding coverage and would complement cross-border market access and national treatment commitments.

123. Trade represents a tremendous global opportunity to propel inclusive growth and potentially enable trillions of value creation by improving SME´s inclusion and access to the global trade eco-system. We would encourage the G20 to support trade negotiations with broad communication initiatives directed at the populations of the respective countries. The communication should focus on highlighting the clear benefits and opportunities for consumers, such as access to more choices and accessible goods, increased job opportunities, and the profound societal impact that growth and prosperity creates in communities around the world.

X. CREATING JOBS

124. Unemployment, and in particular youth unemployment, is a crisis. In 2013 more than 200 million people were unemployed. Global unemployment is forecast to reach 215 million by 2018 with more jobseekers entering the labor market than vacancies being created.

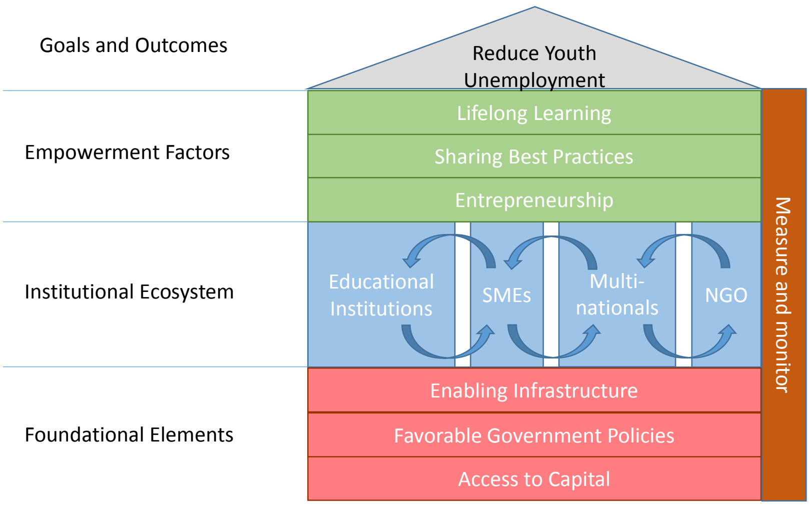
125. Approximately 74 million (37%) of the unemployed are aged 15-24. The youth unemployment rate at 13% is three times greater than the equivalent for the adult population as a whole. This number is much greater if we include discouraged workers, those who have abandoned their quest for employment, and women who feel unable to enter the workforce.

126. Acute youth unemployment has significant negative impacts, including:

- failure to secure employment at a young age dramatically reduces the probability of finding formal employment in a lifetime;
- acute youth unemployment burdens national resources;
- failure to develop skills early in life dramatically reduces a nations long term trend-growth; and
- acute youth unemployment disproportionately erodes social fabric through, for instance, elevated levels of crime.

127. We believe that action is essential to address the problem of youth unemployment and the sizeable imbalance between labor supply and demand. To address these issues, we must promote both increased demand for labor, as well as an increase in the supply of qualified labor among the world's youth. To ensure that relevant factors affecting both supply and demand are addressed, we have created a framework for assessing acountry'sapproach for reducing youth unemployment, which is illustrated below:

Critical Elements for Job Creation and Reducing Youth Unemployment



128. We believe that the framework elements need to be measured and monitored. It should be implemented by an organization that is credible, independent, and appropriately funded – such as the World Bank or the Organization for Economic Co-operation and Development (OECD) – as follows:

- create an index to capture a country's success in implementing the elements of the framework:
  - leverage existing indices (i.e., the Political Risk Services (PRS) group's International Country Risk Guide (ICRG), the OECD's Small and Medium Enterprise (SME) Policy Index, etc.) where possible for specific elements; and
  - define and measure remaining subjective or quantitative ratings for other elements;
- communicate the index and related matters:
  - report the index periodically by country;
  - promote the use of the index to create transparency for countries and their stakeholders (companies, citizens, etc.);
  - identify gaps and weaknesses, and recommend specific actions to improve index results by country;
  - develop forums for sharing best practices across entities; and

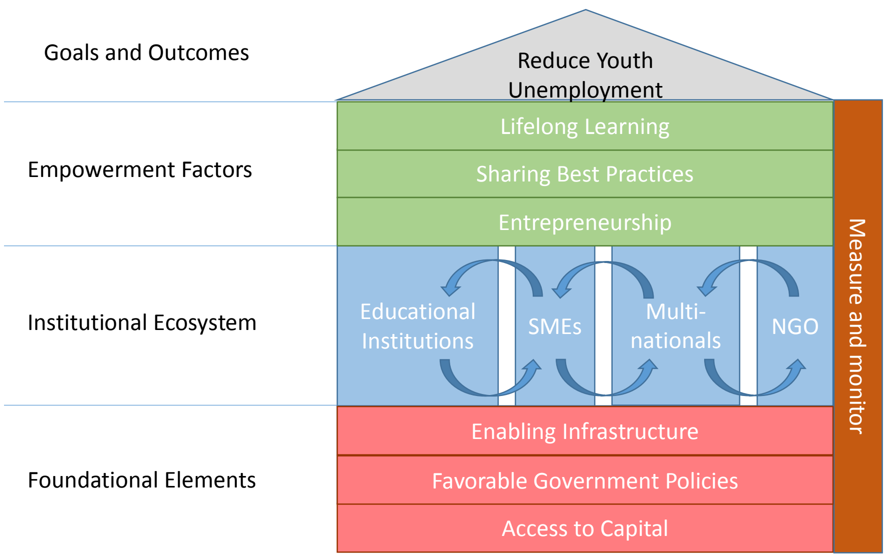
- regularly assess the framework relative to research and results on youth job creation, and implement necessary improvements.

129. Many elements of the framework require attention/focus, but we believe the most significant impact could be achieved by focusing on the element of lifelong learning, particularly to address the mismatch between high skilled jobs versus low skilled workers. Therefore, we recommend several initiatives that could be implemented in partnership with organizations such as Erasmus and UNESCO:

- apprenticeship and internship programs should be established where they do not currently exist;
- companies should provide access to skills training for any employee leaving the workforce for any family reason for up to two years;
- the benefits of job sharing opportunities should be promoted, leading to an increase the number of people in the workforce;
- critical life skills should be taught at an earlier age, such as leadership, project management, communication and collaboration skills, human behavior, etc.; and
- companies, educational institutions and governments should increase awareness and reduce access barriers to global e-learning content, for example to enable re-skilling.

Annex to the recommendations on creating jobs – Detailed definitions of the critical elements

Critical Elements for Job Creation and Reducing Youth Unemployment



Foundational elements

- **Access to capital**: the means or opportunity to connect supply to demand; in this instance, enabling youth / entrepreneurs to tap into the necessary financial enablers such as micro-finance, VCs, enterprise zones and tax schemes – 50% of SMEs in emerging markets are unserved or underserved.
- **Favorable government policies**: sustainable policies to support youth employment, labor flexibility and mobility, entrepreneurial success, rule of law, stable and consistent tax regime and adequate incentives to stimulate greater economic output or investment.
- **Infrastructure**: basic physical structures and facilities (i.e., buildings, roads, airports, power supplies, etc.) needed for the operation of a society or enterprise; connectivity for broadband and communications.

Institutional ecosystem participants

- **Educators**: formal institutions of education play a role in providing skills to young people. They should partner with SMEs and multi-nationals to ensure that curricula (for primary, secondary, universities, vocational colleges, etc.) are representative of needs for business and other employers.
- **SMEs**: small and medium sized enterprises are a primary driver of job growth and there should be a focus of policies to encourage SME development; SMEs can facilitate youth employment through creative hiring and employment policies, such as job sharing, flexible working arrangements, etc.
- **NGOs**: non-governmental organizations can facilitate programs to target specific outcomes in the empowerment factors or in the foundational elements, including developing programs that match SMEs with multi-nationals and educational institutions.
- **Multinational companies**: multi-nationals are critical to facilitating youth job creation through philanthropy (and partnering with NGOs), participating in apprenticeships, and partnering with educational institutions on developing relevant curricula.

Empowerment Factors

- **Entrepreneurship**: entrepreneurship is a key element to create new jobs often with a multiplier effect as new ideas, products, services are created. Young people should be encouraged and supported in entrepreneurial activities.
- **Sharing best practices**: young people lack experience, which can be shared by others through programs like mentoring. In addition, institutions can establish forums for sharing best practices in solving the issues around youth unemployment.
- **Life long learning**: continuous learning should be encouraged by developing online and other methods of accessing affordable education – even during times between jobs, or during family leaves.