



G20 Turkey 2015

A call to action





The G20 countries possess not only the political power to set us on a better course but the political responsibility to do so.

Ban Ki-Moon, United Nations Secretary General



Michael Izza, Chief Executive, ICAEW.

Foreword by Michael Izza

A call to action for the G20

This is a pivotal year for the global economy. More than seven years after we suffered the financial crash, macroeconomic stability around the world remains uncertain. During those months of crisis in 2008 and 2009, it was the G20 which acted swiftly and effectively to bring the international financial system back from the brink.

In 2015, it falls to the G20 again to provide the leadership required to guide the international community further away from the rocks and towards the promise of growth and prosperity for all. The G20 commitment to boost global GDP by a further 2% needs to be supported by real tangible actions.

As we see a shift in global economic activity towards a fast-growing Asia and an emerging Africa, it is important that world leaders understand the importance of grappling with the key challenges faced by the global economy. We need to see action on:

- 1 Closing the infrastructure gap;
- 2 Strengthening the international tax system; and
- 3 Encouraging SME and entrepreneurship growth.

Under the leadership of Turkey, the G20 has made significant progress this year. By placing a focus on the three I's of **investment**, **implementation** and **inclusiveness**, the Turkish G20 presidency has provided a set of actions for global leaders to agree on at the Leaders' Summit in Antalya.

Working at the heart of the big policy challenges faced by the G20, chartered accountants are well placed to work with governments and business in the spirit of cooperation and partnership.

Infrastructure



Boosting efficient infrastructure investment can be a powerful impetus for growth, both in the short run and in the long run.

Christine Lagarde, IMF Managing Director

Infrastructure **investment** is the catalyst for growth

The world needs infrastructure that is fit for the 21st century. The G20 has rightly identified investment in infrastructure as a key global priority. The IMF recently stated that it is one of the few remaining policy levers governments have to encourage growth. However, with infrastructure demand over the next decade outstripping the funding capacity of governments alone, the involvement of the private sector will be critical. Global infrastructure investment is projected to face a funding gap of \$20 trillion over the next few decades. How can this gap be closed? With an insight into both the public and private sector, chartered accountants are well-placed to facilitate public-private partnership.



Strengthen the environment for public-private partnerships

The G20 should encourage governments to invest in skills, understand better private and public financial flows and provide more comprehensive information on the opportunities for infrastructure investment. ICAEW has identified three 'gaps' when it comes to infrastructure investment: a skills gap, a funding gap and an information gap. With more private investment going into infrastructure, it is important that countries have the capacity to manage these investments successfully. By making progress in closing these three gaps, countries will be able to strengthen the domestic environment for public-private partnerships.



Give a long-term commitment to infrastructure investment


The G20 needs to show a long-term commitment in its efforts to encourage investors and governments to match the long-term nature of infrastructure projects. ICAEW was pleased to see the G20 establish the Global Infrastructure Hub in 2014. Following the G20 Leaders' Summit in Antalya, ICAEW encourages the G20 to place the Global Infrastructure Hub on a firmer footing by strengthening its resources and remit. As a first step, the Hub should have its mandate extended from the current four-year remit to a much longer timeframe, and also broaden its governance and sponsorship to all G20 members.



Sustainable infrastructure is crucial

The G20 should follow the lead of the United Nations Sustainable Development Goals and place sustainable and resilient infrastructure on a similar footing. In this pivotal year for action on climate change and sustainable development, it is crucial that the infrastructure being built is able to deal with the challenges of a rapidly changing world. Rising sea levels, massive urbanisation and population movements all mean that the infrastructure we depend on will need to be climate-resilient. This is especially true in the megacities that are driving global growth and infrastructure demand, many of which are also located in low-lying coastal regions. In order to mitigate against a changing climate, governments should explore using existing natural infrastructures such as reforestation and upstream catchment management solutions.

International tax



The BEPS package is an historical breakthrough. But let's not fool ourselves: this is only the beginning. It is time to already think of what is next ... and that agreed actions be implemented. In this respect, we need to remain united.

Angel Gurría, OECD Secretary-General

Implementing international tax reform post-2015

The process of strengthening the international tax system will reach an important milestone this year. Since being launched by the G20 in 2013, the Base Erosion and Profit Shifting (BEPS) action plan has progressed swiftly under the auspices of the OECD. The BEPS project aims to tackle harmful tax avoidance by preventing the artificial shifting of profits across borders. In a globalised economy, it is critical that the international tax system reflects the changing nature of business and also maintains the trust of the public. ICAEW has been involved in the BEPS project from the beginning. We have worked constructively with the G20 and have taken the lead in communicating the importance of a strong and qualified accountancy profession around the world.



Success of the BEPS project will depend on global cooperation

A strong, top-level mandate for cooperation among G20 countries and beyond in implementing BEPS actions is essential to ensure their success. The OECD has done well to make the BEPS negotiations inclusive by bringing in over 80 developing and non-OECD/G20 countries into the discussions. Once all the BEPS outcomes are finalised in Antalya, an internationally coordinated approach via the development of a multilateral treaty is key for successful BEPS implementation post-2015.



Effective mechanism needed to resolve disputes

ICAEW thinks that a strong and robust dispute resolution mechanism is crucial to minimise the occurrence of confusion and disputes between countries as a result of the changes to the international tax regime.

A key concern for business is that the international tax system is likely to become subject to more interpretation which may create more disputes between businesses and tax administrations and between tax administrations themselves. The post-BEPS international tax system must be one which encourages business and economic growth.



Strong public financial management supports tax revenues

The G20 should prioritise the need for countries to improve skills around good public financial management and build their institutional capacity by strengthening tax administrations. This will allow countries to fully benefit from the reforms taking place in the international tax system that will strengthen the tax base of countries across the world and help them keep more of the tax which is generated within their borders.

Entrepreneurship

A central focus of the Turkish G20 presidency is to unlock the potential of SMEs ... they are the powerhouse of employment, innovation and entrepreneurial spirit.

Ali Babacan, former Deputy PM of Turkey

Entrepreneurship and SME growth are pillars of **inclusiveness**

Small businesses are the backbone of national economies. They account for two thirds of all jobs in the G20 countries and form the bedrock of thriving and dynamic economies. The G20 sees entrepreneurship and small business support as an inclusive policy where small businesses play an important role in society and economic development.



Financial inclusion is fundamental for enterprise growth

Financial inclusion is a crucial means by which to encourage the next generation of entrepreneurs.

Close to a third of the world's population is still unbanked and not able to take advantage of the financial services which enable access to the wider marketplace. The World Bank estimates that there are still 2bn people around the world who are financially **excluded** from the global economy as they do not have access to basic financial services like having a bank account.



Skills are central to encouraging entrepreneurship

G20 nations must maintain their commitment made in Brisbane last year to reduce youth unemployment by acting to ensure young people are in education, training or employment. Business and financial skills lie at the heart of a healthy ecosystem for entrepreneurship. Countries that are able to empower their young people with the commercial tools needed to grow a successful business are better able to compete in the global race.



Reignite international trade to boost business growth

The G20 should provide a fresh push to reignite international trade; not least because of the potential benefits for small businesses. According to the World Trade Organisation, over the last few years international trade has slowed to 2.4%, less than half the rate seen before the financial crisis. Chartered accountants have first-hand insight at a grass-roots level on how trading internationally can help a small business grow and prosper. ICAEW is eager to see the newly opened G20 World SME Forum encourage businesses to explore markets beyond their own borders.

The G20's work in 2015 has taken place against a backdrop of significant changes and shifts in the global economy. The policies shaping and being shaped by those changes will have a lasting impact on people and businesses all over the world. As Turkey hands over the baton of leadership to China in 2016, it is crucial that world leaders have the vision to see beyond the immediate horizon and carve out a path towards sustained and long-term growth and prosperity.





ICAEW Europe

T +32 (0)2 230 3272

E europe@icaew.com**ICAEW China (Beijing)**

T +86 10 8518 8622/23

E china@icaew.com**ICAEW China (Shanghai)**

T +86 21 6032 3577/78

E china@icaew.com**ICAEW Hong Kong**

T +852 2287 7277

E hongkong@icaew.com**ICAEW Middle East**

T +971 (0)4 408 0000

E middleeast@icaew.com**ICAEW South East Asia**

T +65 6407 1554

E southeastasia@icaew.com**ICAEW Malaysia**

T +60 (0)3 2171 6022

E malaysia@icaew.com**ICAEW Indonesia**

T +6221 2358 5751

E indonesia@icaew.com**ICAEW Vietnam**

T +84 (4)3939 8786

E vietnam@icaew.com

ICAEW is a world leading professional membership organisation that promotes, develops and supports over 144,000 chartered accountants worldwide. We provide qualifications and professional development, share our knowledge, insight and technical expertise, and protect the quality and integrity of the accountancy and finance profession.

As leaders in accountancy, finance and business our members have the knowledge, skills and commitment to maintain the highest professional standards and integrity. Together we contribute to the success of individuals, organisations, communities and economies around the world.

Because of us, people can do business with confidence.

ICAEW is a founder member of Chartered Accountants Worldwide and the Global Accounting Alliance.



www.charteredaccountantsworldwide.com

www.globalaccountingalliance.com

ICAEW

Chartered Accountants' Hall Moorgate Place London EC2R 6EA UK

T +44 (0)20 7920 8100

E contactus@icaew.comicaew.com facebook.com/icaew [@ICAEW](https://twitter.com/ICAEW) linkedin.com – find ICAEW