Funding Sustainability Efforts

From Aspirations to Concrete Mechanism and Set Milestones

B20 BRAZIL SECRETARIAT

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Foreword

The G20's recommendations emphasize collaboration, standardization, and alignment across different areas to achieve sustainable development goals. In this context, this paper recommends to G20 Leaders to seek synergies across different domains to support financing for sustainable growth and stability.

It proposes straightforward, yet impactful, policy actions that aim to collectively achieve sustainability objectives and foster long-term economic growth inclusively, without requiring additional strained public finances. To realize sustainable economic growth, it is crucial to pursue complementary policies that prioritize inclusive economic growth, productivity, and stability as core objectives. Effective policies should complement each other and be well-coordinated both nationally and internationally.

Progress towards sustainability and net-zero emission targets is currently lagging. Key is to enhance the productivity of firms. This should start with effectively addressing working capital and liquidity needs as financially insecure firms cannot make the necessary investments for sustainability transitions - even with subsidies. This paper recommends placing greater emphasis on increasing support for developing realistic transition plans facilitated by virtuous mechanisms, rather than solely focusing on meeting targets or enforcing rigid legal frameworks that can be burdensome for firms, especially for Small and Medium-Sized Enterprises (SMEs). A common framework, creating conducive environments for transformative investments, especially in emerging markets, is necessary to ensure equal access to transition finance. An example of such a framework is represented here by the Sustainable Growth Propeller (SGP), introduced in 2022 under the G20 Indonesian presidency, that can be tailored to different sectors and regions, thereby increasing the credibility of planned milestones. The ultimate objective is to establish ecosystems that stimulate private investment to enable countries to pursue low-emission development pathways.

The B20 Brazil 2024 has embraced the theme of "Inclusive Growth for a Sustainable Future", focusing on creating a holistic and integrated approach to drive economic growth through sustainability. This guiding principle is built on five pillars that shaped the B20 Brazil Guiding Claim and steered the discussions of the Taskforces and Action Council: promoting inclusive growth and combating hunger, poverty and inequalities; accelerating a fair net-zero transition; increasing productivity through innovation; fostering resilience of global value chains; and enhancing human capital. By addressing these critical areas, the B20 provided actionable recommendations to the G20 that aligned with the priorities of the Brazilian presidency. This paper complements related discussions on funding sustainability in the B20 Taskforces and the Action Council. The goal is to connect the B20 policy actions and illustrate that through a coordinated approach, synergies can accelerate progress towards sustainability targets and economic growth. In fact, it also presents five use cases to complement its thesis, demonstrating that while these use cases can be impactful individually, they collectively are most impactful.

Concrete measures are needed to mobilize timely and sufficient resources towards transition targets globally. "Joining the dots" across policy recommendations has been at the core of the joint work between B20, *Business at OECD* (BIAC) and IOE throughout the G20 Presidencies, culminating in annual B20-*Business at OECD*-IOE publications led by Gianluca Riccio, Chair of the Finance Committee at *Business at OECD*. Each year, these papers aim to help pave the way for action by G20 leaders. Contributions for the publications came from diverse business and employers' federations, SME associations, large corporates and financial institutions, each part of the respective *Business at OECD*, B20 and IOE policy networks.

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Executive Summary

This paper is composed of a core document (pages 4-9), supported by five use cases (pages 10-27).

It aims to show that in order to tackle the current transitions and achieve the sustainability targets, it is key to leverage frameworks that need to be comprehensive, rather than act in silos on specific topics, to guide policy-making, business strategies, and individual actions towards achieving a more sustainable and prosperous future for people and the planet. Financing needs to be based on concrete mechanisms, which are easily accessible to firms. It is also important for supervisory and regulatory entities to align their approaches across jurisdictions with interoperable implementation frameworks.

This paper goes a step further: it presents five use cases demonstrating how interoperable policies and concrete mechanisms, although targeting specific areas, can be part of a unique framework. As an example, the Sustainable Growth Propeller (SGP) offers a holistic approach to integrating economic, social, and environmental aspects, contributing to generate synergies and economies of scale and gaining efficiencies in access to finance and productivity of operations.

Annex 1 summarizes how the five use cases would fit into the framework outlined in the core document, and how the levers of the framework would need to be acted upon, through key recommended actions. These are finally put into practice through the Global Value Chains (GVCs), as strengthening GVCs' resilience is a perfect field to test critical dependencies, policy coordination, reduction in compliance costs for export and investment screening regimes.

Recommendations to G20 Leaders

G20 nations should intensify their efforts and together adopt a more systematic approach, which leverages technological advancements to enhance productivity and competitiveness. It is essential to establish a shared, interoperable framework across G20 countries, with well-defined transition milestones and guiding principles. This collaborative framework will address critical dependencies, align policies, and facilitate coordinated actions to bolster resilience and sustainability within GVCs.

While the need for clear transition planning is acknowledged as vital for the shift towards a low-carbon economy, as outlined by the OECD in 2022 or GFANZ in 2023, the lack of global consensus on their features impedes their effectiveness and credibility. The existence of multiple, potentially conflicting initiatives underscores the necessity for cohesive and tangible transition plans. Merely listing commitments falls short of providing the harmonized roadmap that the private sector urgently needs.

The G20 should leverage on GVCs to support the funding needs and investments for the sustainable transition, as recommended in previous B20-*Business at OECD*-IOE papers. It is crucial to focus on practical solutions and mechanisms that enhance productivity and drive growth by supporting private sector activities - as flywheels that generate synergies and economies of scale - toward a sustainable economic trajectory with a net-zero target. While subsidies and other support measures are important, they should complement, rather than replace, other solutions. Policymakers need to design these measures carefully to ensure a level playing field and avoid distortions of competition. Relying solely on subsidies will fall short of the necessary impact, especially considering the financial constraints faced by governments.

In line with the 2024 G20 Brazilian Presidency objectives, this paper presents five use-cases, made of concrete actions, that both on a standalone basis, and even better when combined, can provide a significant acceleration to delivering the sustainable transition. Previously, it has been that solutions like the early payments' platforms as presented in Use Case (1) in terms of productivity can contribute to unlocking over 1% of GDP and employment growth, respectively demonstrated [B20-*Business at OECD*-IOE, 2023].

If these efforts are combined with the concrete solutions offered in the other use cases across the axes of the Sustainable Growth Propeller, the impact would be significant. Aligning them to properly structured transition milestones can have the potential to change the pace of delivering the UN Sustainability Agenda.

FUNDING SUSTAINABILITY EFFORTS: FROM ASPIRATIONS TO CONCRETE MECHANISMS AND SET MILESTONES

The world is at an inflection point: global economic growth is projected to be modest at 3.1% in 2024, according to the OECD May 2024 Economic Outlook, and public debt is at excessively high levels [OECD, 2024a]. Similarly, progress towards tackling climate change and achieving UN Sustainable Development Goals (SDGs) is slow, with only 12% of the targets on track - at the midpoint of the 2030 Sustainability Agenda. The sustainable investment gap in developing countries has also increased from USD 2.5 trillion in 2015 to more than USD 4 trillion per year today [UNCTAD, 2023]. Brazil holds the G20 Presidency this year, and President Lula emphasized that sustainability, climate action and equitable funding will be the core pillars of the Brazil 2024 G20 Presidency [Lula da Silva, 2023]. Interestingly, looking back in history, it was in Brazil, back in 1971, that the "Club of Rome" presented the findings of a milestone report on sustainability highlighting both the urgency and challenges at the centre of the current G20 agenda [CoR, 1972].

The engine of progress – the world economy – is paying a high price for an increasingly unstable international geopolitical environment: "global economic growth is below its long-run average and remains uneven", as highlighted in the G20 Leaders' final communiqué in 2023 [G20, 2023]. Indeed, in *Business at OECD*'s 2024 address to OECD leadership and Ambassadors it states: "it must be clear that our economic strength will also determine the pace of progress towards common global challenges" [*Business at OECD*, 2024].

The private sector can play a crucial role to accelerate the SDGs agenda; however persistent competitiveness gaps among G20 economies can fuel negative trends like populism and protectionism, and so put progress towards the green transformation and SDGs at risk. To enhance competitiveness, it is important to stress the importance of strengthening public-private partnerships and aligning industrial policies to unlock the full potential of our market-driven economies.

Coordinated efforts are therefore needed in key areas to support sustainable growth and innovation. The objective of this paper is to focus on one of such key areas: financing the transition to sustainability. It puts a spotlight on the importance of aligning funding to clearly defined and measurable transition milestones, and ensuring interoperable guidelines across productivity, stability and economic growth. It proposes actionable policy interventions through a combination of interconnected use cases aimed at enhancing firms' productivity, as the private sector is key to simultaneously enhancing growth and accelerating the pace towards the SDGs.

In line with the 2024 G20 Brazilian Presidency objectives, recommendations need to be backed by concrete actions. The five use cases presented in this paper can be effective on a standalone basis, but when combined they provide an example of the holistic integrated framework which this paper is advocating for. Each use case "joins the dots" of the relevant B20 recommendations (Annex 2).

FUNDING MULTIPLE TRANSITIONS REQUIRES VIRTUOUS MECHANISMS TO UNLOCK ACCESS TO FINANCE

The G20 countries have made commitments to promoting sustainable development, including promoting investments and outlining future requirements for delivering the 2030 Sustainable Development Goals and meeting the Paris Agreement targets. However, the G20 final communiqué in 2023 highlighted that "global greenhouse gas emissions continue to increase, with climate change, biodiversity loss, pollution, drought, land degradation and desertification threatening lives and livelihoods" [G20, 2023]. Ultimately, the global pace of action is currently not in line with the committed targets.

Delivering on these commitments and the multiple transitions required on a global level (climate, energy, digital, social, governance), will require massive investments by states and the private sector. Achieving climate neutrality in 2050 requires action by both the private and public sectors to develop clean energy capacities, renovate buildings and replace production facilities with resource-efficient ones. In 2023, Bloomberg NEF estimated such an effort to exceed USD 120 trillion globally [Moore, 2023].

Additionally, new infrastructure is critical to the green and digital transitions and will require significant additional investments, while the global infrastructure investment gap is already set to reach USD 18 trillion by 2040 [G20, 2017]. The G20 economies have been facing chronic underinvestment in their aging infrastructure for decades, including for transport, logistics, and IT, with a gap even higher in developing and emerging countries, if sustainable infrastructure needs are not adequately considered. The G20 has long drawn attention to unlock private capital in infrastructure and align it with long-term growth and development goals. Strengthening finance solutions for sustainable infrastructure, through diverse equity and debt instruments, is paramount at the current juncture.

The G20 needs to significantly step up its efforts to create more productive economies which are necessary to support the sustainable transition. This can be achieved by helping to create a more supportive financial environment and introducing mechanisms that effectively facilitate private sector investments and access to finance, especially for SMEs, which as a result can also enhance their socio-economic inclusion. But, a growing body of complex legislation has had the opposite effect on firms, imposing high administrative burdens and constraints on investments. Many policies that aim to support the transition have been proposed, but their effectiveness must be put to the test before implementation and evaluated after implementation, with the aim of eliminating unnecessary regulatory burdens.

In short, the scale of financing required highlights the need to facilitate private sector investment, as public funds alone cannot deliver the funding required for the sustainable transition.

This is especially relevant given the excessively high public debt levels reached in many G20 countries in the post-COVID-19 pandemic context, which will require governments to prioritize the effectiveness and efficiency of public spending and will further weigh on the ability of governments to bear the cost of the transition.

From a debt and equity perspective, financial institutions and private pension plans face both physical risks (e.g. climate-change related extreme weather events) and new transition risks (e.g. the uncertainty of the residual value of electric vehicles). These risks are transversal in nature, as they combine several traditional risks, including credit, market, insurance, operational and legal risks, which could be exacerbated over time, impacting the safety and soundness of individual financial institutions, and the wider financial system more broadly.

The role of productivity, central to corporates and the private sector more generally, needs to be examined holistically across their relevant "ecosystems": Even if public funds were sufficient, it needs to be acknowledged that firms will have to transform their business models (in relation to clients, suppliers, energy mix, infrastructure) and approaches to access finance, which is acute for SMEs. Although there are differences across sectors, the need to reinvent production and consumption of goods and services in a low-carbon economy requires an increase in productivity across their "ecosystems". This in turn requires mechanisms that ensure funding to flow more efficiently across firms, borders and GVCs, rather than "just" a greater quantum of public funds.

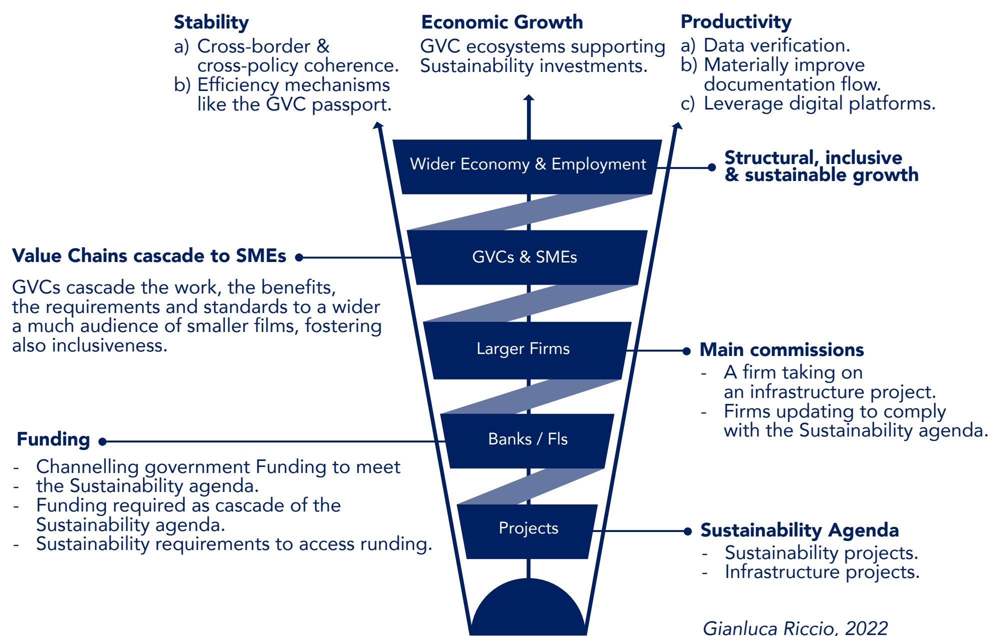
A COMMON FRAMEWORK BUILT ON VIRTUOUS MECHANISMS IS KEY TO ENSURE FINANCING FLOWS

In April 2023, the G20 raised the need to create "mechanisms for mobilization of timely and adequate resources for climate finance", underscoring the need to develop an ecosystem for green finance as a catalyst for private investment [G20 Presidency of India, 2023]. This "needs to be scaled up significantly to enable countries to follow their low-emissions development pathways" and the role that interoperable taxonomy and financial disclosures requirements would play. In this context, special attention must be given to SMEs and indeed, the OECD in its 2022 "Financing SMEs and Entrepreneurs" scoreboard called for governments to consider mechanisms to foster diversification of SMEs' finance instruments [OECD, 2022].

At the G20 Indonesia in 2022, the B20, *Business at OECD* and the IOE, published a joint paper that pro-posed such a mechanism based on a dynamic conceptual framework of concrete actions in support of sustainability, advancing the work of previous presidencies, that proposed such a mechanism based on a dynamic conceptual framework of concrete actions in support of sustainability, advancing the work of previous presidencies [B20-*Business at OECD*-IOE, 2022]. This framework, referred to as the "Sustainable Growth Propeller" (figure 1), envisions a balanced approach in the interplay between corporates and financial institutions aimed at raising efficiencies by reducing bureaucracy while increasing transparency and traceability, and facilitating firms' access to wider markets.

The paper proposed a framework that could deliver environmental objectives as well as economic growth in line with environmental and social ambitions, and therefore contribute to social sustainability and generate a lasting virtuous circle. Environmentally-led investments underline the need to test innovative ideas and to facilitate payments and working capital, making them more efficient throughout GVCs, across both borders and sectors, which in turn can act as a durable flywheel that sparks employment and know-how, aiding social sustainability.

Figure 1 - Sustainable Growth Propeller



The Sustainable Growth Propeller concept offers a powerful enabler towards delivering the Sustainability Agenda, and simultaneously fast-tracking inclusive economic growth and job creation. It focuses on the need to coordinate and integrate three aspects: Stability, Productivity, and Economic Growth. This framework emphasizes that these three dimensions are interdependent and must be addressed in tandem to achieve sustainable development. It recognizes that unsustainable practices in one dimension can undermine progress in others and lead to long-term challenges and risks.

A sustainable transformation needs to be enduring. In line with this framework, both firms and financial institutions should capture it in both their strategic business planning and risk management. They are encouraged to position their activities in line with the new environment and markets' expectations, as well as integrate climate, environmental and social risks into their risk frameworks, complying with the more stringent normative and accounting frameworks. Investments need to go beyond "financing projects", towards capital allocation: financing needs to drive an overarching green and social transition.

However, the challenge for such mechanisms to materialize, and allow firms to structurally access financing, lies in the cross-border fragmentation of economic and political regulatory frameworks, hindering firms' access to financing. Firms' ability to transition is dependent on a clear and interoperable regulatory environment. Indeed, frameworks and plans need to cater for the specific regional needs to which they apply; the suggestion is for an interoperable regulatory environment, crucial for firms' success, requiring states and supra-national bodies to collaborate and work towards effective policies across diverse environments without hindrances, and minimizing cumulative regulatory burdens to firms.

Global value chains (GVCs): putting a conceptual framework into practice

An example of such conceptual mechanisms in practice, would be to deploy policies to enable private finance across GVCs. Efficient GVCs can ensure finance flows and support the optimization of working capital on the buyer side, while generating operating cash flow on the supplier side. In turn, they enable domestic commercial activity and provide funding to local businesses that are critical, especially for middle-income economies facing proportionally higher financing gaps.

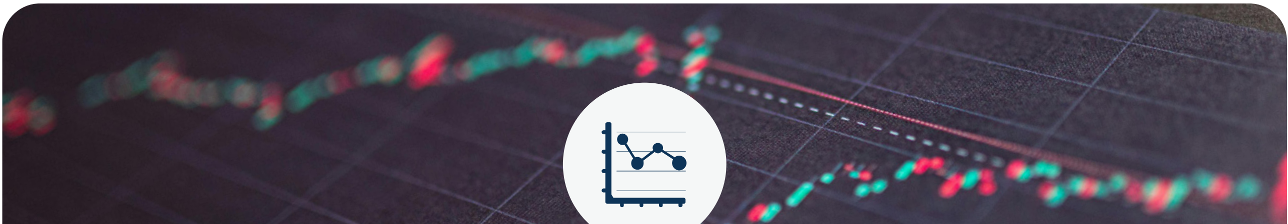
Participation in GVCs leads to increased productivity, job creation and ultimately economic growth. To facilitate this, countries must put in place the right kind of trade and investment policies. However, key to firms is being able to operate in an interoperable regulatory environment, across jurisdictions throughout the GVC (clients, suppliers, energy mix, infrastructure), also addressing the devastating headwinds effects of corruption in processes [B20-*Business at OECD*, 2020].

FRAMEWORKS NEED TO BE CONSTRUCTED AROUND CONCRETE TRANSITION MILESTONES

The G20 needs to overcome discrepancies in the implementation of policies across jurisdictions and help unlock finance mechanisms to effectively mobilize investment globally, as well as reduce the risk associated with investments in sustainable infrastructure and green projects that aim to unlock private capital at scale. Policymakers should focus on facilitating transition plans supported by virtuous mechanisms, rather than putting excessive pressure on the mere achievement of targets, and in particular avoid implementing too rigid legal liability frameworks. These are frequently cumbersome, especially across GVCs, and should align more to the 2023 G20/OECD Principles of Corporate Governance, and to the Duty of Care principles relating to overall board responsibilities.

An interoperable framework is required which can be complemented by building blocks to fit the different usages across sectors and jurisdictions, thereby enhancing the credibility of planned milestones. The OECD in its “Guidance on Transition Finance” sets out elements of credible corporate climate transition plans; emphasizing that by creating conducive environments for trans-formative investments ensures inclusive access to transition finance, especially in emerging markets [OECD, 2022b].

Such plans are needed not only to support the transition itself, but also to offer guidance on current approaches, obstacles, and solutions. They are also crucial to combat greenwashing in transition finance. Ultimately, what matters is ensuring that companies with credible and realistic transition plans have the means to implement them; meaning that they can finance the necessary investment at the scale needed and at competitive costs, i.e. when compared to companies without these plans. Therefore, adequate incentives must be put in place for genuinely transitioning firms to evidence their plans in their business and financial choices; so to help investors to differentiate between those and others less committed.



Findings from the Association Europe Finances Régulation (AFER):

AEFR (Association Europe Finances Régulation) has analysed various frameworks and initiatives [AEFR, 2023], identifying "discrepancies in terms of the target state of the economy, and specifically regarding the use of reference scenarios; [...] lack of granularity of these reference scenarios [that] could largely hinder its transposition for stakeholders. Reference scenarios are based on heterogeneous assumptions, which lack transparency, hindering their usability. Finally, interlinkages between reference scenarios and public policies remain unclear". Even more fundamentally, AEFR observes that the very "purpose" of transition plans differ, with a large part of existing frameworks relating to "disclosure", while others driven by the financial impact of the climate and environmental risks. In this regard, we caution that funding efforts should not merely be labelled 'green' or 'sustainable', but they must be effective: give due consideration to transition pathways and generate virtuous circles.

The AEFR findings are disappointing as there are important examples of detailed guidelines on building credible transition plans. The above-mentioned OECD Guidance on Transition Finance intended for policymakers, regulators, corporations, and financial players, aids in policy updates, transition plan enhancements, and funding net-zero initiatives through transparent, comparable, and detailed strategies with environmental and social safeguards [OECD, 2022b]. Another example is offered by GFANZ: it focuses on aligning financial activities with net-zero targets, integrating climate considerations into decision-making processes, investing in sustainable projects, engaging with stakeholders, and reporting progress transparently [GFANZ 2022]. In 2023, this was supplemented with more practical insights and recommendations for scaling up transition finance and advancing real economy decarbonization efforts [GFANZ 2023].

Policymakers and regulators seeking to develop or revise relevant policy frameworks or regulations can contribute by developing a more transparent and consistent regulatory environment for transition related investments and supporting interoperable norms and standards to enhance comparability and accountability. Transition plans need to be built upon simple and interoperable guidelines developed by public authorities, addressing assumptions, implementation, and monitoring; guidelines that therefore require active involvement and contributions from businesses and other stakeholders to be established.

Use Cases to Map B20 Taskforces' Recommended Actions to the Framework

This work builds on related recommendations developed in the B20 Taskforces' policy papers, focusing on analyzing the connections and common themes across B20 recommendations in areas such as finance and infrastructure, trade, investment, employment, entrepreneurship, and digital. Essentially, this work represents an initial step towards "joining the dots". We believe that the challenges highlighted above are not due to a lack of policies or shortage of ideas and efforts, but rather because these are often addressed in isolation. In a globalized world, this can lead to dispersed efforts and unintended consequences.

USE CASE 1: SUSTAINABLE FINANCE - FUNDS NEED TO "FLOW"

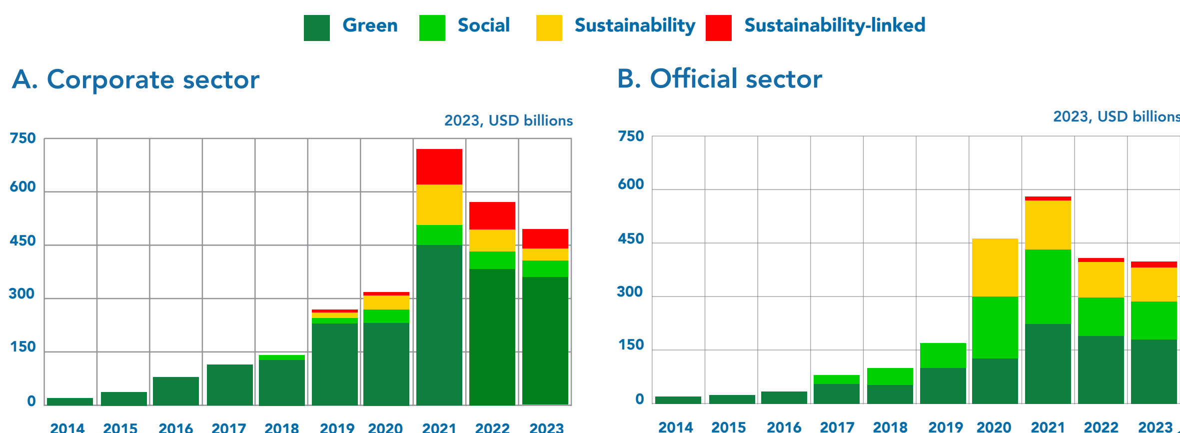
The importance of mobilizing public and private funding has become increasingly evident as a practical approach to the sustainable transition requires effective public-private partnerships and a clear recognition of the critical role businesses play across various sectors, regions, and industries.

Green finance needs purpose and accountability, rather than just being labelled "sustainable"

Achieving the ambitions set by the G20 Sustainability Agenda will require significant long-term investments, estimated at over USD 9 trillion annually worldwide, from now until 2050 [McKinsey, 2022]. The issuance of sustainable bonds by corporates and governments has grown rapidly, increasing by six to seven times in 2019-23 as compared to 2014-18 (Figure 2). Despite this, the outstanding amounts reached only USD 2.3 trillion and USD 2.0 trillion, respectively, by the end of 2023 [OECD, 2024b], which is still far below the necessary levels. Green bonds dominate issuances; these are the bonds whose proceeds should be used to either partially or fully finance or re-finance new or existing eligible green, social, or sustainable projects.

The OECD recently presented a thorough review of the sustainable bond market, including a review of a sample of bonds' prospectuses. Key findings show that there is no statistically significant evidence that companies systematically are subject to a premium for issuing a sustainable bond. Additionally, two-thirds of prospectuses allow refinancing of existing eligible projects with proceeds but do not specify financing vs. refinancing share. None of the prospectuses mention penalties for not using all proceeds to finance eligible projects [OECD, 2024b].

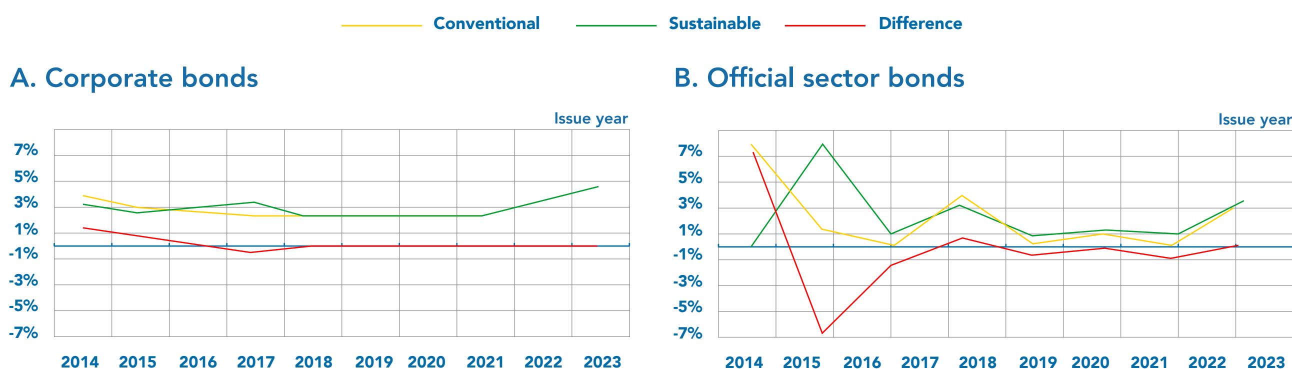
Figure 2 – Global sustainable bond issuance by type



Source: OECD Corporate Sustainability dataset, LSEG.

From a market perspective, the premium for a bond being labelled as sustainable is not statistically significant [OECD, 2024b]. Elhers and Packer (2017) found no price premiums in their secondary market analysis, although they did identify a premium in the primary market. Similarly, Tang and Zhang (2018) found no price premium when analyzing the yield spread between the same issuing company per same year. Indeed, closely performing yields (Figure 3) reflect the fact that, despite creating a commitment, sustainable bonds present the same rights and risks to their holders as other conventional bonds.

Figure 3 - Average difference in yield-to-maturity of conventional vs. sustainable bonds for matched corporate and official sector bonds



Note: Only pairs of matched bonds are considered. Matching procedures in based on an exact matching methodology (see 0) based on issuer, coupon type and currency, and the nearest matching for issue date, issue year, maturity year, and coupon.
Source: OECD Corporate Sustainability dataset, LSEG.

Despite an increased use of second party opinions for issuers to claim alignment with the standard, as recommended but not required by the International Capital Markets Association (ICMA) Green Bonds Principles (GBP), the reality appears to be that sustainable and green bonds do not always reflect what their label states in practice. Funds can be directed to almost any funding needs without impact on creditworthiness or ability of the issuer to fund itself. The OECD also found a structural decline in credit quality across corporate bonds, a trend observed over the last ten years and exacerbated by the recent COVID-19 pandemic, as well as the energy and food crises posed by the geopolitical unrest caused by the war in Ukraine.

In summary, the sustainable bond market falls short of needs, remains predominantly concentrated in developed economies, and does not fully support the green transition Firms, especially SMEs, are facing challenges in accessing financing due to increasing costs and higher interest rates. SMEs are struggling to access credit, as seen in a US Federal Reserve survey showing the largest drop in credit availability in 2023 and an outlook for further tightening in 2024 due to deteriorating credit quality and collateral values [FED, 2024].

In order to deliver the sustainability, efficient payments are a must

The green transition should prioritize both effectiveness in meeting environmental priorities and economic efficiency. Public funds are insufficient to support firms' full needs, especially SMEs. In its 2024 "Financing SMEs and Entrepreneurs Scoreboard", the OECD called for governments to consider mechanisms to foster the diversification of SMEs' financial instruments, particularly to sustain SME investments in the twin transition [OECD, 2024b]. The G20 Presidency in April 2023 marked the need to create "mechanisms for mobilization of timely and adequate resources for climate finance" as a priority [G20 Presidency of India, 2023]. The G20 Presidency further underscored the need to develop an ecosystem for green finance as a catalyst for private investment, which "needs to be scaled up significantly to enable countries to follow their low-emissions development pathways". Consistent taxonomy and financial disclosure requirements are vital to achieve such scaling up.

An example of such mechanisms would be to deploy policies to bolster the working capital of firms across their GVCs, as presented by the B20, *Business at OECD* and IOE in 2023 [B20-*Business at OECD*-IOE, 2023]. Policies aimed at ensuring timely payment flows, supporting the optimization of working capital on the buyer side and generating operating cash flow on the supplier side would make for more efficient GVCs [B20-*Business at OECD*, 2020]. Such policies would, in turn, enable domestic commercial activity by providing working capital to local businesses, which are critical especially for middle-income economies facing proportionally higher financing gaps.

It is apparent that funding and investment efforts towards the green transition will not be effective if:

1) Firms have liquidity deficits. Deficits caused by delays in invoice payments force many SMEs to find alternative funding sources, at a higher cost given the urgency of their needs, or in extreme cases push SMEs to default. In addition, in recent years, SMEs have faced a cha-llenging macroeconomic environment affecting their liquidity positions. High input costs as a result of inflation and high interest rates have affected SMEs' ability to borrow, contributing in part to an increase in bankruptcy rates. According to the OECD's 2024 "Financing SMEs and Entrepreneurs Scoreboard", SMEs in Scoreboard countries faced a 30% increase in the cost of debt finance, while SME bankruptcies increased by 21% [OECD, 2024]. Evidently, such deficits pose a risk across the wider economy, curtailing growth opportunities and SMEs' ability to invest. The International Finance Corporation (IFC) estimated that 70% of SMEs' credit needs are directed towards financing working capital requirements [IFC, 2018], to the detriment of other investments. The Trade Finance Gap reached USD 2,5 trillion in 2022, or 10% of global merchandise trade [ADB, 2023].

2) GVCs are inefficient and unable to effectively cascade funding throughout the value chain. Thanks to the world's considerable interconnectedness, efficiencies in GVCs do not only have an immediate positive economic impact, but also create strong long-term benefits to the economic fabric of our societies with many firms facing shrinkages of their own markets. Enhancing sustainability in GVCs can be advanced by promoting cross-border funding, investment and technology flows.

3) Procedures for accessing funds (as well as subsidies) are often burdensome, bureaucratic, and time-consuming, with actual payments frequently delayed and inssufficient support provided to MSMEs.

"Timely payments" do not only mean the time when payments are legally due, a frequent challenge in itself, but rather when the firms actually need liquidity to fund predictable and unpredictable needs, with cascade impacts on the overall economy [ECB, 2015]. It is at the core of any firm management to have sufficient funds at the time of need, minimizing both liquidity and credit risk, efficiently operating accounts receivables and payables.

Payment and settlement systems are crucial for economies. Globally, account receivables total around USD 30 trillion daily, with an average payment lag of 62 days in the US. Effective cash flow management is crucial for businesses handling payables.[1] However, longer payment terms, driven by larger firms hoarding cash, disproportionately affect SMEs. Creditors in this situation face challenges in receiving timely payments. Businesses in this environment struggle to manage their cash flows and working capital efficiently.

[1] With USD 7.5 trillion in receivables in the United States and the US share of GWP at 25%, a global estimate would be USD 30 trillion [Fed, 2023].

It is here that digital early payment platforms such as C2FO, Taulia, Tradeshift and PrimeRevenue can provide value as they provide working capital solutions seeking to address this receivable / payable misalignment. For example, the C2FO platform has over 2 million suppliers in its network and has provided its users with more than USD 300 billion in funding around the world, to ensure that companies' invoices are "timely paid".

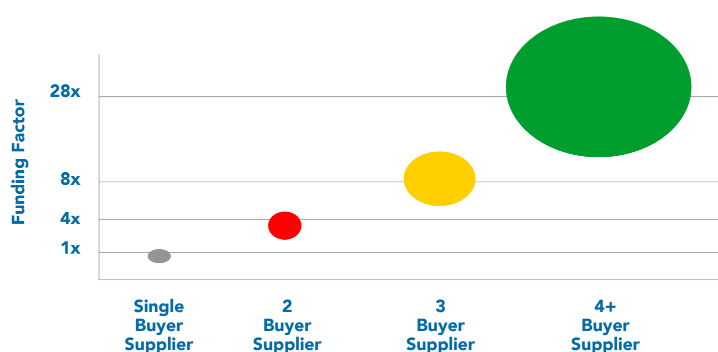
It is also crucial to have compliant onboarding processes, achievable with the use of Legal Entity Identifiers (LEIs) before transactions happen. Implementing strong encryption and consistent requirements globally is key to building trust in digital platforms, preventing cybercrime, and supporting initiatives like the Bali Fintech Agenda.[2] Early payment platforms combined with a LEI, not only ensure alignment of accounts receivable and payable across GVCs, enhancing working capital management, but they streamline data, establish trusted sources of information, promote inclusivity, facilitate financing access, ensure operational efficiency, enhance fund flows and provide infrastructure for identity attestations without compromizing confidentiality.

Efficient time alignment between accounts payable and accounts receivable significantly enhances firms' productivity, maximizing financial efficiency for both creditors and debtors in terms of borrowing and liquidity costs respectively. The ECB concluded that effectivae and timely payments allow firms to enhance their liquidity and creditworthiness, which also benefits banks having raised the credit standing of their clients, and shifting their lending towards proper Capex investments, with longer maturities [ECB, 2015]. Such a shift from short-term to longer-term credit offers higher net profit ratios and a more robust customer base.

Payment platforms can accelerate the efficient flow of investments' funding

The effective implementation and deployment of payment platforms would provide exponential positive results. In fact, every firm has suppliers, which in turn have their suppliers, therefore participation in a well-connected payment platform network creates a mutually beneficial environment, enhancing efficiency and collaboration within the GVCs, contributing to an exponential domino effect. Suppliers with multiple buyers in the network participate significantly more than single-buyer counterparts (Figure 4). Leveraging on this approach, discounting, and Supply Chain Financing (SCF) can grow exponentially without the administrative costs of reapplying individually to any fun-ding entity.

Figure 4 – Suppliers with multiple buyers in network participate exponentially more

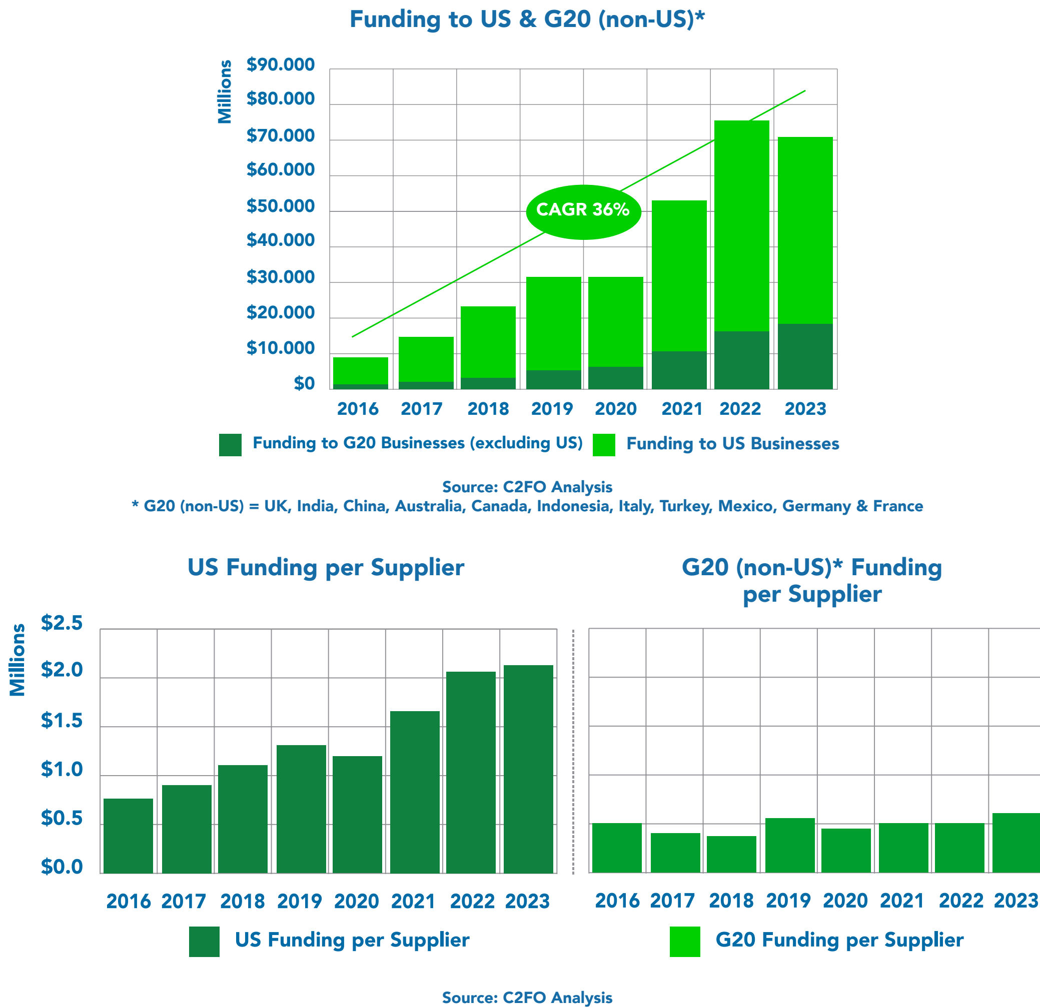


This means that if investments' fundings are structured around platforms, as sandboxes, they can create GVC ecosystems that optimize funding flows to all players: buyers, suppliers and funders alike. More importantly, they ensure that funds propagate throughout the chains and reach all parties. One example of such platforms is run by C2FO; Figure 5 shows how funding has been increasing each year across the G20 countries.

[2] In 2018, the International Monetary Fund (IMF) and World Bank launched the Bali Fintech Agenda which consists of 12 policy proposals aimed at supporting countries to harnessbenefits and opportunities in financial technology, while managing risks [IMF, 2018].

Even more importantly, Figure 5 shows the average marginal additional contribution in funding of having an additional supplier in the platform, demonstrating a positive contribution to the economy. The trend persists even at a time of interest rate rises, and even in the US, where the platform is more mature, despite a flattening due to the decreased production, it still generates funding in the economy, contrary to the above-mentioned drop in credit availability in 2023 [FED, 2023]. In conclusion, the platform's contribution mitigates the negative impact on firms by improving their financial productivity thanks to the "network effect".

Figure 5 – Full Funding vs. per Incremental Supplier



A "propeller effect" towards the Employment, Growth and the Sustainability Agenda

Advantages of effectively managing cash extend beyond banking, benefiting the entire economy in that it not only builds greater resilience but also enables businesses to fund expansion, invest in comprehensive transformation initiatives, and enhance their capital return ratios. Companies of all sizes that demonstrate strong financial stability, fulfill their commitments, and invest in growth play a vital role in creating jobs and driving economic growth.

The B20-*Business at OECD*-IOE paper, in its contribution to the 2023 G20 process, showed that an effective early payment platform for working capital built along the lines described above would increase both GDP and employment, at a minimal cost for all parties, including Governments [B20-*Business at OECD*-IOE, 2023].

- Working capital platforms, on a national scale, can generate increases in GDP of more than 1%. A study started in 2022 by McKinsey Global Institute with C2FO, on the improvements of working capital on GDP shows compelling and consistent results: in a large country like Mexico, the research shows the use of such a platform can contribute to unlocking up to 1.1% of GDP and up to 1.3% employment growth. In a small country like the United Arab Emirates, these can go up to 3% and 5%, respectively.

- Deploying such platforms on a national scale, in turn, has the ability to create tens of millions of additional permanent jobs. The IFC has estimated that an average 16.3 new permanent jobs will be created for every million dollar loaned to SMEs also improving salaries throughout the GVC [IFC, 2021]. Additional research, in fact, indicates that nearly 20% of every new dollar of working capital for SMEs leads to improved salaries and job creation [Barrot-Nanda, 2018].

To summarize, developing "GVC ecosystems" built on trustworthy interoperable early payment platforms on a national scale and structured on safe principles and requirements will benefit all parties, enhance SME participation in GVCs, and therefore significantly optimizing the flow of investment funds through a more effective use of SCF.

Ultimately, scaling this up to an international level, undertaking such actions would produce a few trillion US dollars of new annual economic benefit globally; all while simultaneously creating a base of data networks benefiting all participants. This would also increase inclusion and access to new markets and be based on reliable certification (e.g. via LEI) that contribute to financial crime prevention, where criminals use a legitimate trade to disguise criminal processes.

The Sustainability Agenda provides an ideal sandbox for implementing the framework in this paper to speed up sustainable investments. This would ensure efficient access to funds for firms and create a smooth process across the supply chain by funding working capital through timely invoice payments. It could advance the agenda, generate jobs, spur economic growth, and serve as a practical model for the framework's effectiveness, potentially becoming a blueprint for other sectors. The ICC Principles for Sustainable Trade also provide a foundation for the integration of sustainability considerations into supply chain transactions in a robust and internationally consistent manner.

USE CASE 2: THE KEY ROLE PLAYED BY DEVELOPMENT FINANCE INSTITUTIONS

Multilateral Development Banks (MDBs) play a significant role in advancing the sustainability agenda. They are key in mobilizing public and private capital into scalable net-zero solutions and providing technical expertise and policy advice to support sustainable development projects across various sectors. MDBs work closely with G20 member countries to align their development priorities with global sustainability goals, including the United Nations' SDGs. Through partnerships and collaborative initiatives, MDBs are key partners in promoting inclusive and envi-ronmentally sustainable growth, while also contributing significantly to economic growth. For example, the World Bank Group helps client countries design and implement effective, solutions-oriented reforms, tailored to their specific needs [World Bank, n.d.].

MDBs play a pivotal role in driving investments towards an enduring transition

The current debate on scaling up co-investment for MDBs centers on the need for more private sector involvement to address the large financing gaps for development projects by ensuring that funds are meeting transition objectives, and therefore avoiding the risk of crowding out the private investments.

MDBs have limited public funds and need to maximize crowding-in additional capital from private investors and creating a more conducive environment in developing countries. This involves:

- Creating incentives for private investors to participate in projects, including through risk-sharing mechanisms and/or blended finance structures. In this regard, as an example, the interoperable payments' platforms *(as per Use Case 1)*, which enshrine good governance such as open, com-petitive payments eco-system under common global standards, can prove very valuable to the work of MDBs, as they can offer a multiplier effect for investments: supporting the development of a much wider range of firms than those initially targeted. A good example is provided by an EBRD investment in Türkiye: in 2022 Arçelik, a global manufacturer, launched an early payment platform with C2FO to respond to the working capital needs of its suppliers.

- Supporting both firms and local authorities to manage and possibly reduce regulatory barriers, improve governance structures and enhance transparency. In managing investments towards net-zero transition, they need to offer a pivotal role of greater coordination and collaboration among private investors, authorities, and other stakeholders to pool resources, share expertise and align efforts towards common development goals. This includes standardizing approaches to risk assessment and due diligence, as well as streamlining processes for co-investment.

- De-risking investments with risk-sharing mechanisms like partial guarantees, first-loss provisions, and insurance to attract private sector investment. MDBs need to balance risk mitigation to attract capital while maintaining long-term financial viability and sustainability. This requires thorough risk assessment, financial instrument structuring, and project performance monitoring for minimized risks and maximized returns.

- Official Development Assistance (ODA) can take the form of grants (non-repayable funds), soft loans (repayable with low interest), or private sector instruments (PSI). Importantly, in 2023 the OECD agreed a revised methods for treating PSI in ODA. They were measured based on cash flows, but now they focus on the "grant equivalent" of loans, making PSI and grants comparable. This approach encourages more generous loans and grants to support the SDGs.

Reformed MDBs need to be enablers of the sustainability agenda

MDBs can leverage their capital to attract additional private investment by co-investing in projects. In 2024, the B20 called for the need to "increase the pipeline of approved bankable projects by expediting permitting processes for Infrastructure that supports the net zero transition and are resilient to climate extreme events" [B20, 2024].

Reforming MDBs to make more efficient use of their capital has been a recurring topic of discussion within the G20. At the G20 Meeting in Venice (9-10 July 2021), Finance Ministers and Central Bank Governors agreed to launch an Independent Review of MDBs' Capital Adequacy Frameworks, to "promote the sharing of best practices, maximize their development impact, taking into account their respective development mandates and without prejudice to their governance, credit ratings and preferred creditor treatment". Overall, the debate on scaling up the pool of co-investment capital for MDBs is focused on finding innovative and wider solutions to mobilize more private sector resources for development projects while effectively managing risks and maximizing impact. Outcomes of the review were published in 2022 in the "Boosting MDBs' investing capacity report" [MDB, 2022].

The aim is to strengthen these institutions' capacity to mobilize resources, private capital and foster sustainable development in order to align priorities with climate and SDGs. The focus needs to be on improving governance structures, reviewing risk tolerance policies, increasing trans-parency and accountability, enhancing efficiency, and ensuring that MDBs remain relevant and effective in addressing their development targets; more specifically:

- **Risk tolerance reform and expanding MDBs'mandates:** G20 nations should enhance MDBs' financing for sustainability by leveraging innovative mechanisms, engaging the private sector, and promoting debt sustainability for borrowing countries. MDBs must align with international development goals like SDGs and the Paris Agreement, integrating sustainability into project processes and widening investment sectors to attract diverse private investors. Expanding into renewables, infrastructure, and technology will offer new opportunities for involving the private sector in a renewed, and needed, cooperation.

- **Blended financial instruments:** to align objectives and incentives, a collaborative approach is needed [Convergence 2024]. Reforming MDB mandates to prioritize blended finance approaches can help maximize the impact of MDB capital. By strategically taking first loss and mezzanine positions, MDBs can de-risk investments and attract private capital, and by combining concessional financing with commercial capital, MDBs can permit funding of projects that may not be viable with private investment alone. This may involve setting target blends of MDBs and private funds in projects, for example a target of 50% each to prioritize private sector engagement.

- **Operational efficiency:** G20 members have been stressing the need of enhancing MDB efficiency by streamlining processes, increasing coordination with other actors, and addressing global challenges like climate change and pandemics. MDBs can leverage capital and expertise to enhance project viability for private investors. In this context, it is key for countries to prioritize international collaboration to improve interoperability and expedite permitting processes.

- **Measuring impact and effectiveness:** It is essential to develop robust metrics and evaluation frameworks to measure the impact and effectiveness of co-investment initiatives in order to maintain a balance between public and private interests, while prioritizing projects with clear development impacts, and ensuring clear accountabilities. This includes assessing the development outcomes of projects, such as job creation, poverty reduction, and environmental sustainability, as well as the financial performance of investments.

As highlighted by the independent panel review itself, "the reforms do have risks associated with them, but the Panel believes that these can be mitigated effectively. The risks are far outweighed by the dangers of not fully deploying the unique strengths of MDBs to help address the daunting development challenges" [MDB, 2022]. In 2022, the Panel called for MDBs to be able to "start increasing their lending capacity over the next 12-24 months" [MDB, 2022]. These reforms cannot wait: the G20 needs to commit funds and take concrete steps to turn aspirations into trans-formational change.

USE CASE 3: INTEROPERABILITY OF REGULATORY FRAMEWORKS AND TAXONOMIES

The green transition should be both effective in delivering the net-zero targets and economically efficient. In 2022 the G7 "urged to actively cooperate to reach standards that can be implemented globally" [G7, 2022]. Nevertheless, companies are still facing difficulties with the lack of harmonization of disclosure requirements, as the selection and reporting of specific metrics are fragmented and not comparable. The lack of interoperable disclosure frameworks also complicates the understanding of companies' ESG goals, increasing the risk of firms spending more time on multiple administrative compliance efforts than focusing on the actual positive impacts, thereby heightening the risk of "green-washing".

It is thus important for the G20 to ensure that the sustainability reporting guidelines introduced are manageable, comparable, interoperable and allow for mutual recognition. The G20 should also encourage sustainable investment through streamlined regulations to create a level playing field across all industries.

Lack of interoperability hampers the sustainability agenda

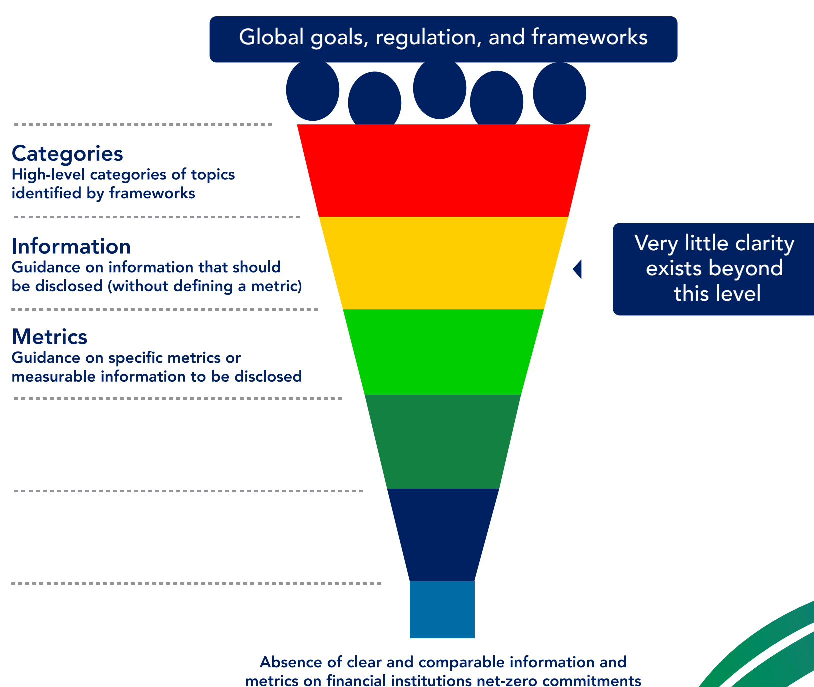
The current debate regarding the need to mobilize co-investment capital for policy implementation requires a thorough assessment of the potential unintended consequences of policies and regulations. This was highlighted by the findings of the Financial Stability Board (FSB) with respect to cross-border cooperation following the 2008 financial crisis [FSB 2019b]. As ESG frameworks and regulations are set and implemented, it is critical to **avoid** such unintended consequences. Ultimately, a stable, coherent and inclusive regulatory environment is a "must" to meet the sustainability objectives and enable relevant investments. Policymakers need to assess firms' cumulative regulatory burdens throughout GVCs before implementing policies and rules.

The lack of policy interoperability and the fragmentation (and frictions) of reporting standards continue to impede the free flow of people, capital, goods and services, as the global economy remains divided into separate jurisdictions. The OECD in 2023 ran an assessment on the landscape of information and metrics frameworks developed in the last decade [OECD, 2023d].

Most known frameworks

- The Glasgow Financial Alliance for Net Zero (GFANZ, 2022) Recommendations and Guidance on Financial Institution Net-Zero Transition Plans.
- IFRS Foundation's International Sustainability Standards Board (IFRS ISSB, 2023) Sustainability Disclosure Standards.
- Institutional Investors Group on Climate Change (IIGCC, 2021) Net Zero Investment Framework Implementation Guide.
- UN-convened Net-Zero Asset Owner Alliance (NZAOA, 2023) Target Setting Protocol.
- Task Force on Climate-related Financial Disclosures (TCFD 2021) report on Implementing the Recommendations of the Task Force on Climate-related Financial Disclosures.

Degree of guidance provided by frameworks to support comparable net-zero metrics



Source: OECD, 2023

The OECD assessment reveals that, overall, these frameworks "do not yet converge on clear guidance to support the disclosure of consistent, comparable and verifiable metrics" [OECD, 2023d]. While it is fair to note that these frameworks aim to serve different stakeholders or purposes, the lack of a unified reference framework for market players - whether banks or firms across sectors - makes it challenging to achieve interoperability and, ultimately, a successful delivery of the sustainability targets. Although ISO standards for green bonds and loans, as well as guidance for sustainability principles for financial organizations (ISO 32210) are under development, they have yet to gain traction.

Nearly all G20 member countries (as well as several non-G20 countries) have established programs to reduce administrative burdens on businesses. However, the sustainability agenda is experiencing a proliferation of unharmonized, burdensome rules, which add complexity and hinder firms, especially SMEs, which often lack the resources or administrative capacity to comply. Even though some rules may not directly target SMEs, they still experience a "cascade effect" as they must adhere to requests from banks or larger corporations that need to meet their own compliance requirements. Consequently, firms face significant cumulative administrative burdens across borders, which impede their participation in GVCs.

The achievement of broader sustainability goals requires a simplification of the regulatory landscape, putting interoperability and proportionality at its core, rather than allowing a proliferation of fragmented rules. The G20 should ensure a simple and clear regulatory environment that fosters investment and competitiveness: setting goals of cross-border and cross-policy harmonization and interoperability in their implementation. It should also establish rewarding regulations for firms that comply with these objectives - an approach that is especially crucial to promote investments in green trans-formation of SMEs'.

In conclusion, the focus should be on reducing burdens for all businesses, especially SMEs, to foster innovation and investment in the green transition amidst regulatory challenges. The "OECD Declaration on Strengthening SMEs and Entrepreneurship for Productivity and Inclusive Growth" recognizes that an effective regulatory environment, justice system and effective contract enforcement are critical to enable SMEs and entrepreneurs to thrive, scale up and contribute to an open, digitalized and inclusive economy [OECD, 2018].

To achieve this, it is vital to foster interoperability. Rules and standards must be assessed against the cumulative impact on final users as a core parameter, particularly looking at those affecting SMEs, by implementing proportionality in taxonomy scope and requirements.

LEI and GVC passport, simple mechanisms that can enhance interoperability

Frameworks that foster instead of hamper economic growth and productivity are needed. While progress has been made towards more alignment, interoperability can further be accelerated by encouraging mechanisms to enhance efficiency. An effective enabler is promoting data verification as a worldwide standard: a verifiable credential to be cryptographically encrypted and shared between peers at the edges of the GVC network to ensure the underlying data is protected and not itself shared.

Open and widely accepted standards for data components such as financial instrument identifiers (e.g. International Securities Identification Numbers or Financial Instrument Global Identifiers (FIGIs) are enablers for enhanced efficiency, particularly those that permit access without high tariffs or licence fees.

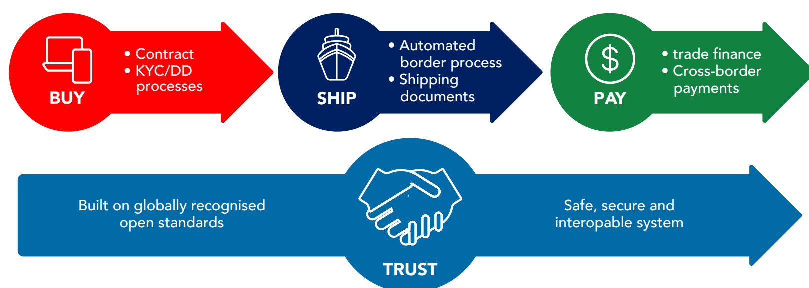
Two tangible examples of data verification in practice are the Legal Entity identifier (LEI), fully operational and gaining encouraging momentum, and the GVC Passport, a B20-*Business at OECD* proposal made in 2020, easily implementable. The sustainability agenda may offer a perfect sandbox for testing both [B20-*Business at OECD*, 2020].

a) The Legal Entity identifier (LEI) is a worldwide unique identifier based on ISO standard 17442, used for identifying parties in financial transactions. The vLEI (verifiable LEI) extends this by providing a global digital identity that enhances interoperability and supports the FSB's efforts for transparent cross-border payments.[3] The LEI is part of an open data scheme which also enables registrants to supply parent ownership information, thus providing transparency on corporate structures, which can be useful for sustainability assessments when dealing with a counterparty. Therefore, LEI aids in effective counterparty verification globally with rigorous processes and high data quality, increasing transparency and enabling investors and/or counterparties to have certainty in terms of whom they are transacting with. This is a powerful tool when combined with ESG scores for entities.

More generally, as more payments move to ISO 20022 message formats, recent progress in CPMI ISO 20022 harmonization recognizes LEI as equivalent to BIC for financial institutions. LEI can replace names and addresses in payment messages, ensuring confidentiality in information exchange as a global open data standard. As a global open data standard, LEI does not hold confidential (private) information; therefore, it does not pose confidentiality threats with respect to information exchange [FSB, 2022].

There are over 220 jurisdictions where at least one LEI is registered. In support of the goals of the G20 Roadmap (endorsed by G20 Leaders in November 2020), the FSB deemed that the LEI could help make cross-border payment transactions faster, cheaper, more transparent, and more inclusive, while maintaining their safety and security. Subsequently, in 2023, the FSB asked GLEIF to collaborate with leading payments industry stakeholders to provide clarity, through examples, on how the LEI can deliver value within cross-border payment flows.

b) The "GVC Passport" is a concept, proposed by B20 and *Business at OECD* as a contribution of the 2020 G20 cycle that combines certi-ficates and verifiable credentials. It would allow a firm to be recognized as a legitimate business partner, compliant with the credit and financial regulations relevant to the GVC it operates in [B20-*Business at OECD*, 2020]. The concept suggests providing firms, for example part of a large investment exercise, with an authenticated, authoritative, verifiable financial fingerprint of a given entity, enabling it to operate within GVCs without the need to reproduce the same documentation on multiple occasions, nor to undergo duplicative verifications. Practical examples of how the GVC Passport can be used in practice were discussed in relation to trade finance as part of the 2021 G20 cycle [B20-*Business at OECD*-IOE, 2021]. Incorporating LEIs into digital certificates, like trade digital certificates or even a GVC Passport, enhances trust by providing reliable organizational identity data, reducing resource burden, and ensuring consistency with verified entity reference data [ICC-UK, 2024]. The use of LEIs allows for interoperability across various technology networks without additional costs or custom implementation.



Source: ICC-UK, 2024

[3] The LEI is managed by the Global Legal Entity Identifier Foundation (GLEIF), established by the FSB in 2014 and tasked with supporting the implementation and use of the LEI. GLEIF continues to work with the FSB to further encourage the adoption of the LEI in identifying beneficiary and originator in cross-border payments.

The mechanism is to optimize GVC utilization, streamline processes, enhance compliance and boost traceability. A "GVC Passport" would contain finance-related verifiable credentials, including LEI, ensuring compliance and reducing regulatory burdens through a single authentication process. It consolidates existing certifications, updating in real-time and eliminating the need for repetitive documentation: it therefore simplifies compliance into one authentication process, reducing the cumulative burden.

While it may be excessively ambitious to immediately apply the concept to the wider economy, the RBI's Working Group Report on FinTech & Digital Banking recommends developing a framework for regulatory sandboxes, which would serve as a controlled environment for experimenting with new payment system products from traditional and non-traditional players [RBI, 2017]. The Sustainability agenda provides an opportunity to enhance the GVC passport concept for sustainable investments, contributing to smooth access to funds and efficiency across the supply chain. This conceptual framework, if applied, could speed up the implementation agenda and serve as a model for other sectors. It was showcased during the 2021 Italian G20 Presidency by B20 Italy, demonstrating its application in Trade Finance in a comprehensive paper from B20, *Business at OECD*, and IOE [B20-*Business at OECD*-IOE, 2021].

Zero corruption targets

In developing a long-term vision which considers both the planet's challenges and opportunities, corruption is a global cross-cutting issue that must be addressed to guarantee a sustainable future and progress on long-term objectives. In order to translate commitments into action, *Business at OECD* in 2024 issued a Manifesto that calls for treating "Zero Corruption" as if it were an 18th SDG.[4] This is a multi-stakeholder paper that can be applied by public and private organizations, corporations and business representatives.

The Manifesto put forward ten key actions (Figure 6) to build a more sustainable and resilient business ecosystem with zero corruption. Specifically, businesses should implement anti-corruption measures with the aim of eradicating and not just reducing corruption risks. "GVC ecosystems" targeting investments towards transitions are perfect sandboxes to test newly created tools and processes. Governments, businesses, civil society, and international organizations must come together as equal partners to translate such commitments into tangible results, and level the playing field in an effort to channel the collective actions at building a resilient, sustainable and corruption-resistant global economy.

Figure 6 – *Business at OECD* – 10 Golden Rules Manifesto Against Corruption

Source: *Business at OECD*

[4] In alignment with our commitment to reflect the diverse realities of B20 businesses environments, it is important to note that the Zero Corruption initiative, while a significant and commendable effort, is not a direct recommendation of the B20. This initiative originates from B20 network partner, *Business at OECD*, and represents their independent contribution to the broader dialogue on integrity and compliance within the global business community. Our policy paper focuses on a comprehensive approach that considers various perspectives and strategies across G20 countries.

USE CASE 4: DATA AND GENERATIVE ARTIFICIAL INTELLIGENCE

The digital transformation and the subsequent transition towards a digital economy have made digital data constantly grow and ubiquitous. Given its widespread impact in all economic, industrial, and social environments, the B7, under the Italian presidency put Artificial Intelligence (AI) at the center of its final Communiqué [B7, 2024] as a cross-cutting theme in 2024 [B7, 2024]. AI offers tremendous opportunities for productivity and competitiveness, bringing the data economy to another level, but also presents important potential associated risks, particularly in terms of what is considered ethical among other practical challenges.

This year, the B7 suggested working towards the establishment of a permanent G7-B7 dialogue with a monitoring observatory. Along these lines the B20 had previously recommended the establishment of an international principles-driven approach to financial regulation implementation, potentially utilizing a Multi-Party Implementation Agreement (MPIA) framework for regulatory cooperation. This framework could facilitate cross-border consultations and mutual recognition. A structured dialogue system should replace the existing ad hoc consultation method, aiming to proactively address any potential unintended consequences arising from conflicting policy frameworks.

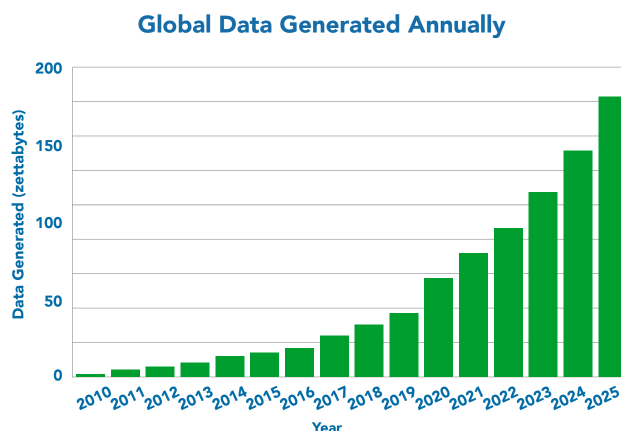
Open Innovation advances new ideas with partnerships, co-creation, joint ventures, licensing and strategic alliances. Financial institutions heavily relying on data-intensive business models, such as Fintech and Insurtech companies, must use data in a responsible way (i.e. respecting citizens' rights) and in accordance with existing data privacy laws. We take note of the G7's commitment to developing shared principles and interoperability of frameworks, also providing concrete applications in order to be a positive game-changer in the industry.

Fintech innovation is boosting productivity and firms' access to financial services globally, but traditional SMEs may lack the resources and skills to fully benefit from it. Capacity-building policies are needed to bridge the digital divide and create opportunities for firms, irrespective of the level of development of the country in which they operate.

Data driven solutions to address ESG transition

Data is diverse and pervasive through any operating activity; the amount produced is growing exponentially, over 90% of the world's data has been created in the last 24 months. The 120 zettabytes generated in 2023 are expected to increase by over 150% in 2025, hitting 181 zettabytes. Data storage and usage rely on a number of technologies enabling how data is captured, stored and mined (e.g. profiling, big data analytics). The ever-increasing possibilities for data storage and usage (e.g., profiling, identifying patterns of consumption and making targeted offers) have been revolutionizing the way customers are served and businesses operated [EBF, 2016].

Figure 7 – Volume of data/information created, captured, copied, and consumed worldwide



As data is increasingly central to global economic activities and in delivering across ESG transitions, concepts of data protection measures, data governance, data management, and data verification are crucial topics in the context of digital transformation and international cooperation. The G20 needs to concentrate its efforts in accelerating the operationalization of Data Free Flow with Trust (DFFT), therefore channeling the massive contribution offered by data towards delivery. We recommend that the G20's focus is aimed at two, closely interlinked paths:

1. Data verification, leveraging data mesh approaches and standards: "Data mesh" is a decentralized approach to data architecture which focuses on domain-specific data ownership and autonomy. A data mesh framework consists of interconnected individual data domains that collaborate through well-defined interfaces and contracts, decentralizing data ownership and governance. While data ownership is distributed across domains, each domain is respon-sible for its own data. It is quite apparent how a data mesh framework could be effectively coupled with the use of encrypted identifiers allowing users access to verified data securely in real time. A verifiable credential is cryptographically shared between peers at the edges of the GVC network to ensure underlying data is protected and not shared itself. Digital tools today allow to combine data and crosscheck it across a large variety of databases, enabling real time verification. In the context of concepts like the GVC Passport, data does not need to be shared, but is verified [B20-Business at OECD, 2020]. The ultimate objective of the information relating to the firm is the "final outcome", i.e. the confirmation of the firm's compliance, not the full data history. The recipient of a verifiable credential, in a peer-to-peer connection would use the associated globally unique decentralized identifiers as a resource locator for the sender's public verification key so that the data in the verifiable credentials can be decoded and validated [IBM, 2018]. Such a combined approach could help organizations break down silos, enhance data transparency, and enable faster and more accurate insights (for example) if deployed alongside standardized data governance practices to ensure consistency and security.

To achieve such a significant transformation, the G20 needs to significantly change its approach around data architecture and strategies, focusing on the standardization of attributes and governance in order to maximize use of data verification globally and encouraging the use of automation and monitoring tools for data verification tasks, which require enhanced data reliability and data quality practices across different domains.

2. Clear interoperable standards on data metrics: The use of data analytics is no longer just an opportunity; it offers a massive expansion of the electronic footprint of individuals and SMEs. In particular, through data analytics SMEs can gain a competitive edge and increase their productivity, including cost reductions, marketing enhancement, and strengthening the ability to identify or foresee trends [OECD, 2018]. Adherence to ESG principles is widely regarded as a key indicator of the sustainability of companies' business practices. It plays a central role in investors' decision-making efforts to identify long-term opportunities and risks for companies. In fact, analyzing ESG metrics is key in assessing risk exposure and how companies respond to ESG issues is becoming as important as traditional financial metrics when evaluating corporate performance and profitability. However, to achieve comparable analytics requires interoperable standards and as seen in the *use case 3* above, the OECD analysis on taxonomies showed that frameworks "do not yet converge on clear guidance to support the disclosure of consistent, comparable and verifiable metrics" [OECD, 2023].

Artificial Intelligence: a catalyst for transformation that needs steering

The opportunities in terms of innovation, increased productivity, and business developments arising from digital transformation, with generative AI, open data and fintech solutions are evident. AI can effectively support efforts to address ESG transitions by contributing massively to research and development efforts, but even more pragmatically to infrastructure planning, natural resource management and energy demand forecasting, proactively responding to firms' needs and competitiveness across strategic sectors and GVCs, as well as sparking a wave of new entrepreneurial opportunities while reducing biases in corporate processes. However, opportunities need to be fostered in a safe and trustworthy environment, by introducing safeguards countering disinformation and ensuring human oversight of a responsible use of AI and digital tools.

Cybersecurity risks arising from data sharing should be carefully assessed and adequate measures to safeguard individuals and businesses need to be adopted by the G20.

Policymakers and regulators need to strengthen international collaboration and scale up frameworks grounded on a principle-based approach. It urges to promote digital trust while enabling innovation, technology development and deployment, and sharing the benefits of digital transformation with all of society. To achieve this, we must align cybersecurity and data protection standards, coordinate international cyber efforts, and prioritize consumer awareness and transparency.

Governments aim to balance the potential benefits of AI with its potential misuse which might undermine the trustworthiness of AI. Many international bodies working with the G20 have called to consider the importance of ethical AI and data ethics. Ethical concerns regarding data protection, validity, privacy, and bias require careful consideration [IOE, 2024], especially when the risk of exacerbating discriminatory practices towards various types of under-represented groups arises. At the same time, while open data has been recognized as a driver of innovation for already over a decade [OECD, 2015], openness must not compromize ethical principles of privacy and consent to data collection, usage and sharing. Given the importance of ethical risk in public and policy discourse, companies should approach this dimension with seriousness [IOE, 2024].

Therefore, in alignment with B7 recommendations, it is key that G20 nations collaborate on the relevant policy framework prioritizing interoperability and international cooperation on AI governance, allowing the potential of AI to be seized effectively while preventing it from creating additional cumulative burdens for firms to comply with. AI policies need to be crafted on the basis of robust and interoperable policy frameworks, ethically solid.

Brazil, a sandbox for fintech innovations

Leading G20 emerging markets such as Indonesia, India and Brazil provide examples of how such fintech developments can take place, with public digital infrastructure and enabling policy environments as key enablers. A recent G20-World Bank report [GPFI, 2023] states that while digital transformation initiatives will vary by country, successful cases share key principles of inclusivity, openness, interoperability, and support for essential public and private services.

For example, India has taken the lead by building public digital infrastructure through which private sector actors can innovate and develop new solutions. Under India's G20 Presidency, the B20 Taskforce on Financial Inclusion identified core principles for DPI governance including targeted scoping, governance, privacy and trust, equal access, commercial sustainability, and multi-stakeholder setting.

Brazil, this year's G20 President, is one of the most well-known in Latin America for fintech innovations. Brazil has witnessed the rise of hundreds of fintech startups and prominent neobanks, which have contributed to increased access to financial services from 57% to 86% of the population between 2009 to 2022 [AH, 2022], an increase that corresponded to improved access for 75 million Brazilians to the banking system. These successes have been fostered by a fintech-friendly regulatory regime implemented by key Brazilian institutions. At the end of 2020, the Central Bank of Brazil launched the instant payment system PIX, which provides instant money transfers for institutions joining the system.

Similar to the case of Unified Payments Interface (UPI) in India, PIX has grown rapidly, reaching 139 million users (around 75% of Brazil's population) in less than 2 years [AH, 2022] achieving rough parity with debit and credit card penetration (70 percent as per the World Bank's 2021 Findex). In addition to PIX, Brazil's open finance regulation has also boosted its fintech innovations. This open data framework, being rolled out in four phases, has promoted competition in the banking sector, ultimately resulting in better services for consumers, such as peer-to-peer payments, loans, and more.

USE CASE 5: FORTIFYING INCLUSION THROUGH MORE RESILIENT GVCS

The importance of SMEs' contribution to economic growth, innovation, job creation and social cohesion should not be underestimated.[5] Since 2022, G20 Presidencies have been hosted by large emerging economies, which have all expressed the goal to put inclusive economic development at the center of the G20 agenda. Focus has been positioned on a "just and inclusive energy transition", as noted by President Lula at the G20 handover ceremony between India and Brazil.

As such, ensuring SMEs are central to the transition process is key: it is imperative to ensure that SMEs around the world have access to the funding and skills they need to participate actively, and proactively, in the transformation process, improving their productivity, also through a social strategy fostering a diverse and inclusive work environment.

The G20 can enhance the socio-economic inclusion of SMEs by improving access to finance, which raises funds for projects with positive social outcomes. Expanding digital infrastructure and literacy, and streamlining regulatory procedures are crucial. Additionally, integrating SMEs into GVCs, supporting export initiatives, funding research and development activities and encouraging technology adoption are vital. Equally, targeted support for women and minority-owned businesses, promoting social enterprises, ensuring SME access to public procurement, and fostering sustainable practices through green financing and standards further contribute to their growth and inclusion.

In 2010, for the first time, the IFC and McKinsey (IFC Enterprise Finance Gap database) tried to estimate the size of the SME financing gap, then updated in 2013, covering 177 economies [IFC 2013]. The formal SMEs financing gap is around US$5.2 trillion, increasing by an additional US$2.9 trillion when adding informal SMEs. The study outlined that close to 60% of the 85-100 million formal SMEs in developing countries are estimated to be either unserved (i.e. they do not have a loan or overdraft) or underserved (i.e. they have a loan or overdraft, but still experience constraints in terms of access to finance).

Additionally, the 2017 GPFI report on SME Finance shows that half of SMEs (200 million) have unmet credit needs totaling US$2.1 to US$2.6 trillion [GPFI, 2017]. SMEs also maintain an estimated US$14.6 to US$17.8 trillion in cash balances, of which US$3.3 to US$4.1 trillion are held outside of banks. They hold the remainder (US$11.2 to US$13.8 trillion) in current, savings, and investment deposit accounts.

At the 2018 OECD Ministerial Conference on SMEs, ministers discussed how stronger participation by SMEs in global markets can create opportunities to scale up, accelerate innovation, facilitate technology spillovers and managerial know-how, broaden and deepen the skillset, and enhance productivity. Strengthening SMEs in GVCs was highlighted as a G20 goal at the Hangzhou Summit in 2016, where G20 leaders reaffirmed their intention to support the development of SMEs and linkages to GVCs; a commitment that needs to be reiterated and strengthened as the B7 highlighted this year: "GVCs remain vulnerable" [B7, 2024].

Inclusion in GVCs by leveraging on digital capabilities, and ...

Today, digital platforms support millions of SMEs by enabling them to deliver goods and services to international markets with unprecedented ease. From a wider macroeconomic perspective, they can support informal firms to move into the formal economy.

SMEs have never before been able to access infrastructure and global logistics networks with so little capital expenditure. The difference today in financing SMEs is that far more can be served, and it can be done with systemic solutions; the key ingredient, however, is having cooperation between private and public actors in promoting a responsible use of data via properly structured accessible platforms globally across the GVCs. By offering informal SMEs the ability to access wider, properly structured, verified and channeled networks, a digital platform creates an incentive to simplify a firm's capability in making formal payments and meeting administrative duties and taxes, making compliance "automatic", while enhancing transparent and traceable payments, lowering costs and maximizing economies of scale.

[5] SMEs typically account for more than half of business sector activity and around two-thirds of employment. In emerging economies, SMEs deliver on average more than 40% of GDP and 50% of employment [B20-Business at OECD, 2018].

Private financial institutions are already significantly contributing to inclusive economic development as already discussed in previous sections. More specifically digital technologies applied to financial services (fintech) have been extensively used to provide financial services to previously unbanked populations (that is groups of people, often in developing economies, unable to access traditional banking services). Fintechs have increased the solutions available to people underserved by the traditional banking sector by leveraging open banking and open data as well as digital public in-frastructure. This has helped accompany them in the transition toward the formal economy.

This digital transition is both pervasive and fundamental; improvements in productivity could benefit billions of people by spurring inclusive growth, structurally addressing the international fragmentation of production, and creating millions of jobs in both developed and underdeveloped regions, while consumers benefit from ever-lower prices.

… support firms to emerge from informality

Under Indonesia's G20 Presidency in 2022, the Bali Energy Transition Roadmap was adopted. The Bali Roadmap emphasizes energy accessibility, affordable solutions, the problem of emerging energy poverty and lack of access for vulnerable households. It also specifically discusses the needs of Small Islands Developing States and isolated communities.[6] Today, globally, 675 million people live without electricity and 2.3 billion people use harmful cooking fuels. An inclusive transition has acquired increased urgency as a way to foster a more inclusive economic recovery. In South Africa the WECONA[7] initiative, a public-private partnership led by President Cyril Ramaphosa that prioritizes contracts for women-owned businesses in various sectors, unlocking financing, providing training, and promoting investments in manufacturing capacity.

Technology sharing and access is a crucial aspect of a just and inclusive green transformation, especially for developing countries, where fintechs are a driver of inclusion and a way to de-risk: dynamic startups and unicorns from G20 countries (as in the case of GoJek or Grab in Indonesia and South East Asia or Nubank in Brazil) have played a major role in offering new innovative services to consumers that were otherwise outside the traditional financial system.

These fintechs often rely on savvy digital data usage to develop more accurate risk profiles of customers. Accurate risk assessment enabled by digital data around transactions makes them able to offer micro-loans and/or micro-insurance products to groups of consumers that are usually considered too risky by traditional financial institutions. Often these consumers belong to the informal economy and having the chance to access credit, insurance and other ad-hoc services could significantly improve their economic opportunity and become a channel to move from informality to a more formal economy.

Unsurprisingly, G20 roadmaps, strategies and partnerships emphasize the necessity of financing and investing in inclusive green transformations and even recommend increased coordination between the G20 Energy Transition Working Group and the G20 Sustainable Finance Working Group, as discussed under the Bali Roadmap. In addition to intra-G20 horizontal coordination, these strategic documents clearly highlight the role of key stakeholders in the process: from governments, to MDBs and to private sector financial institutions.

[6] Just Energy Transition Partnerships (JETPs) currently being developed and enacted go into this direction.
[7] The Women Economic Assembly (WECONA) - WECONA: In aid of women in business - Africa Leadership Initiative.

The G20 needs therefore to establish coordinated concrete mechanisms aimed at greater digital inclusion for SMEs to enhance transaction processing capabilities and improve funding options to:

- Support informal firms moving into the formal economy.
- Support both SME lending and public administration, for example for tax purposes, making compliance automatic, simple, and cheap, as well as making the relationship with the administration more transparent, though with the need to balance with data ethics.
- Support firms, suppliers and administrations to significantly grow efficiencies such as improving timeliness of payments, a long-standing low-hanging fruit.
- Finally, the connections across the GVC can support SMEs to access wider markets, hence supporting trade activities.

Pulling together the use cases in this document, a pragmatic example is offered in supporting "GVC ecosystems" built on trustworthy interoperable early payment platforms structured on safe principles and requirements alongside an interoperable, efficient and standardized payment ecosystem based on unique identification of parties with the LEI and aligned to the OECD no corruption principles. Doing so would allow firms, suppliers, and public administrations to increase efficiencies, propelling benefits, such as higher levels of employment, across the global economy.

In practice, such platforms are playing an under-rated role in promoting inclusion in the business landscape.

Inclusion starts with education and capacity building

Firms trade far more than products; they trade know-how and make things together. The combination of the rapid digital technology deployment and green transformation calls for an even more pressing need for relevant skills both at the individual level and company level. The strong need for capacity and infrastructure building to boost paperless use across countries and across firms should, however, not be underestimated. Indeed, a joint IOE-ILO-KAS research shows that after considering external factors, the major impediments for SMEs to tap into the possibilities of digitalization are the lack of digital infrastructure and digital capabilities [IOE, 2021]. SMEs may lack access to the platforms or have to pay high usage rates.

Even with the necessary infrastructure and accessibility in place, SMEs may lack digital skills - and the capacity to allocate time or budget to invest in training - hindering their ability to utilize new IT systems and services or maximize the benefits of going paperless. Moreover, an inclusive green transformation requires individuals and SMEs to effectively combine digital and green technology's skillsets. Underrepresented groups, like women and girls in science, technology, engineering and mathematics (STEM) fields, are at risk of exclusion from green technology development. Therefore, the G20 strategic roadmaps to deliver just and inclusive transformations need to emphasize up-skilling needs, integrate skills development plans (such as financial literacy training programs) into public-private partnerships around financing and investment and continue to highlight the importance of a diverse workforce to provide a breadth of perspectives.

Annex 1

Cross-referencing Use Cases' recommended actions to the SGP framework

- Challenges — outlines the challenges being addressed by each use case.
- Lever of the SDGs — referring to the Sustainable Growth Propeller of Figure 1, outlines which lever of the framework needs to be acted upon, positively impacting the overall framework.
- Recommended actions — summarizes the key actions in addressing the use case in scope.
- Impact on GVCs — puts the above conceptual framework into practice through the Global Value Chains (GVCs). Strengthening GVCs' resilience is a perfect field to test critical dependencies, policies' coordination, compliance costs reduction for export and investment screening regimes.

	Use Case 1 Sustainable Finance – Funds need to "flow", rather than "be labelled"	**Use Case 2** Multilateral Development Banks	**Use Case 3** Interoperability of Regulatory Frameworks and Taxonomies	**Use Case 4** Data and Artificial Intelligence	**Use Case 5** Inclusion through more resilient cross-border entrepreneurship
Challenge	Analyzing the wider sustainable bond market, **funds stay markedly below the needs**; they are largely confined to developed economies, and are not necessarily directed to support the green transition. Meanwhile, **firms suffer pressure** from the combination of rapidly increasing input costs paired with an interest rate environment at one of the highest levels in 15 years, restricting financing options. These challenges are **especially apparent for SMEs**, who appear to have been left behind in the agenda despite being the largest employers globally.	MDBs can, and should, play a more proactive role in delivering the sustainability agenda, particularly in emerging economies.	The 2022 Updated G20/OECD High-Level Principles on SME Financing call for promoting the inter-operability of definitions, data, taxonomies, and methodologies related to the measurement of ESG factors standards. As ESG rules are developed and implemented, it is critical to proactively assess and **avoid unintended consequences.** Firms' productivity should not be curtailed by unintended policy obstacles.	**Digital trust** needs to be enhanced. Turn **digital divide** among adopting and non-adopting firms **into digital dividend,** fostering the sharing of benefits with society and across sectors.	**Economic growth and delivering sustainable transitions** are impossible without inclusion of SMEs, focus on unbanked population, fintech, startups, micro loans and insurance. Fintech in developing countries is a driver of inclusion and a way to de-risk entrepreneurial efforts.
Lever of the Sustainable Growth Propeller	**Productivity leg –** objective is to increase financial efficiency of firms in managing working capital and investment funds appropriately.	**Stability leg –** The G20 should accelerate the review of their mandates; since this can have a vast impact on a variety of global finance needs - such as on climate, infrastructure, or digital advancements.	**Stability leg –** Governments need to assess cumulative regulatory burdens on firms, particularly looking at SMEs.	**Productivity leg –** Governments need to assess cumulative regulatory burdens on firms, particularly looking at SMEs.	**Economic growth leg –** The G20 should accelerate the review of their mandates; since this can have a vast impact on a variety of global finance needs - such as on climate, infrastructure, or digital advancement.

	Use Case 1 Sustainable Finance – Funds need to "flow", rather than "be labelled"	**Use Case 2** Multilateral Development Banks	**Use Case 3** Interoperability of Regulatory Frameworks and Taxonomies	**Use Case 4** Data and Artificial Intelligence	**Use Case 5** Inclusion through more resilient cross-border entrepreneurship
Recommended Actions	• **GVC ecosystems built on trustworthy interoperable early payment platforms** with national scale and based on safe principles and requirements will benefit all actors, as well as support SME participation in GVCs. Such platforms do not only facilitate the matching of account payables and receivables with massive benefits for creditworthiness and liquidity of firms, but they can optimize the flow of investment funds, through a more effective use of Supply Chain Financing (SCF). • The sustainability transition offers an **ideal opportunity to put into practice frameworks** like the one outlined in this paper for sustainability-linked investments, which cannot be delayed any further.	• Review of MDBs mandates, since this can have a vast impact on a variety of global finance needs – considering **increase in risk tolerance and setting target blends of fund with private investments in projects.** • Creating **incentives for private investors** to participate in projects, including through risk-sharing mechanisms and/or blended finance structures	• The G20 needs to have **interoperability and proportionality** at the core of the regulatory framework. • The G20 should further promote and exchange good regulatory practices – including **ex-ante impact assessments and ex-post evaluations** of regulatory frameworks. International regulatory co-operation should also be aimed for. • Two tangible examples of data verification in practice are offered by the **Legal Entity identifier (LEI),** fully operational and gaining encouraging momentum, and the **GVC Passport,** a B20-*Business at OECD* proposal made in 2020 [B20-*Business at OECD* 2020], which can be easily implemented.	• **The G20 needs to significantly change its approach to data architecture and strategies,** including approaches to data mesh, focusing on standardization of attributes and governance **to maximize data verification globally,** and so assure data free flow with trust. • The G20 needs to collaborate on the relevant regulations prioritizing **interoperability of frameworks, capacity building, and international cooperation on AI governance,** harnessing the potential of AI to be seized effectively, preventing from creating additional cumulative burdens for firms to comply with. • **Strengthen international collaboration** to accelerate the operationalization of Data Free Flow with Trust (DFFT) and to advance on interoperability of AI frameworks and ethics, scaling-up a risk-based regulatory approach for responsible AI development, deployment and governance, providing a level playing field.	• The G20 needs to establish **coordinated mechanisms** aimed at greater digital inclusion for SMEs to enhance transaction processing capabilities and improve funding options. • **Informal economies** – FinTech's increased offering to people underserved by the traditional banking sector leveraging on open banking and open data and more in general digital public infrastructure offer a potential channel to accompany large sector of firms and individuals towards transition towards formal economy.
Impact on GVCs	If **investment funding is structured around such platforms,** as sandboxes, they can create GVC ecosystems optimizing funding flows to all players: buyers, suppliers and funders alike, also capturing foreign exchange (FX) inefficiencies.	MDBs, sustaining GVCs, have and will contribute to sustainable development, poverty reduction, and economic growth by providing financial resources, expertise, and support to countries worldwide, but this must happen working collaboratively with the private partners without crowding out their contribution.	Ultimately, a stable, coherent, and inclusive regulatory environment is a "must" to meet sustainability objectives and to enable investments. **Governments need to assess cumulative regulatory burdens on firms,** particularly looking at SMEs, and establish **rewarding regulations** for firms that comply with these objectives.	Leading G20 markets such as Brazil provide good examples of how such developments can take place, with roll-out of public digital infrastructure and adoption of modern regulation (and including financial regulation, licensing models, universal service funds and government-supported demand-side initiatives) being key enablers., **supporting firms of all sizes and shortening GVCs.**	The **G20 strategic roadmaps need to emphasize upskilling needs** and integrate skills' development plans into public-private partnerships around financing and investment. Financial literacy programs can also empower small business owners to better manage credit and improve their creditworthiness.

Annex 2

B20 Brazil Taskforce's Recommended Actions

B20 Taskforce		Recommended Actions	Use Cases				
			1	2	3	4	5
Finance & Infrastructure	Action 1.1	Review the role of public sector development finance (i.e. MDBs, DFIs and ODA) to enhance their capital allocation efficiency for climate finance by making private capital mobilization a central objective of their operations unlocking private sector investments at scale. The focus for these institutions should shift from balance sheet deployment to leveraging their resources and local expertise to crowd in private sector capital at initial project diligence and funding phase as well as throughout the subsequent stages of the project's lifecycle (post funding).		X			
	Action 1.2	Enhance private capital investment in climate solutions in EMDEs through regulatory capital and rating agency policy reforms to help achieve consistent treatment of transactions across jurisdictions, recognition of the risk mitigating features of blended finance and de-risking strategies which will allow for increased targets on capital allocations for climate finance in EMDEs.	X				
	Action 2.2	Countries must foster international collaboration to advance interoperability and expedite permitting procedures.			X		X
	Action 3.1	Streamline administrative processes for global integration by increasing cross-border interoperability and review the regulatory framework that affects MSMEs access to trade and climate finance.			X		X
	Action 3.2	Enable "GVC ecosystems" by improving all firms', and particularly MSMEs', financial productivity and access to finance and working capital management.	X			X	X
Women, Diversity, & Inclusion in Business Action Council	Action 2.2	Boost entrepreneurial empowerment for underrepresented groups through funding, diversity-responsive procurement, and private-sector incentives—from formal startups to individual informal endeavors — by providing financial access, tailored credit solutions (e.g., stimulate financial institutions to develop credit policies with scorecards for specific underrepresented groups), market networking, and mentorship programs.				X	X
	Action 3.2	Ensure the responsible implementation of bias-free AI through committees and coalitions between public- and private-sector companies (especially large techs), coordinating with companies that develop models, investing in use cases that promote D&I, and incentivizing businesses to include and develop professionals from underrepresented groups.	X			X	

B20 Taskforce		Recommended Actions	Use Cases				
			1	2	3	4	5
Employment & Education	Action 1.1	Foster reskilling and upskilling to close the talent scarcity gap and reduce skills mismatch, especially in digital and green proficiency, by developing financial incentives to promote programs and setting guidelines and frameworks to rollout work-integrated learning solutions and to facilitate the recognition of skills.					X
	Action 3.1	Accelerate innovation in strategic areas and foster scientific and technological development by creating shared research and digital infrastructure, engaging higher-education and VET institutions with businesses, and increasing and facilitating access to government funding.		X			X
Integrity & Compliance	Action 1.2	Ensure the convergence of adopted frameworks for sustainability standards and disclosures. Convergence of sustainability standards and disclosures, enabling interoperability and transparency, with appropriately tailored inclusions for MSMEs. Additionally, promoting the adoption of integrity and anti-corruption frameworks grounded in sustainable business practices.			X		
	Action 2.1	Foster Collective Action with public sector, private sector, and civil society to promote integrity and resilience in value chains.			X		X
	Action 3.2	Promote the adoption of international frameworks for technologies and AI systems regarding transparency and clear communication to end users.				X	X
Energy Transition & Climate	Action 3.1	Ensure a thriving Natural Climate Solutions (NCS) global market by 2030, widening protection and restoration projects and scaling the international carbon market.	X		X		
	Action 2.2	Promote efficient use of global resources and circular economy by developing policies considering the entire materials life cycle and fostering financing and awareness programs to enhance the adoption of circular practices.			X		X
Digital Transformation	Action 1.1	Accelerate the roll-out and use of ICT infrastructure by promoting regulatory modernization and public-private partnerships that encourage investment, collaboration, and fair competition, such as licensing models that favor commitments to infrastructure expansion, optimized universal service funds (USFs), and demand-side support initiatives (e.g., government-funded connectivity for essential services).			X		X

B20 Taskforce		Recommended Actions	Use Cases				
			1	2	3	4	5
Digital Transformation	Action 1.2	Address digital skills gaps across levels and demographic groups to promote the development of a digitally literate population and digital-ready workforces and entrepreneurs capable of leveraging digital technology with trust, supporting the transformation of businesses, and adapting to technological disruptions.				X	X
	Action 1.3	Promote the digital transformation of Micro, Small, and Medium Enterprises (MSMEs) through access to sustainable finance, a supportive regulatory environment, and specialized support.					X
	Action 2.2	Make progress on Data Free Flow with Trust by building on prior consensus while tailoring the approach to the G20 members to enable innovation, economic growth, and social well-being while building trust on a global scale.			X	X	
	Action 3.1	Strengthen international collaboration and scale up frameworks grounded on a risk-based, pro-innovation approach for responsible AI development, deployment, and governance to keep pace with the rapidly evolving technology and regulatory landscape.				X	
Sustainable Food Systems and Agriculture	Action 1.2	Promote a more equitable, sustainable productivity growth cycle. G20 members should support LDCs' productivity growth by incentivizing sustainable and resilient innovations through knowledge sharing, technology dissemination, capabilities building, and international financing schemes to ensure a more inclusive global food system transformation, improve livelihoods, and increase food security.					X
	Action 2.1	Secure sufficient, efficient, and inclusive capital allocation for a rapid, large-scale transition. G20 members should use blended financing mechanisms, improve financial capabilities and offerings— de-risking and incentivizing investments—and repurpose agricultural support to accelerate the transition towards more resilient, sustainable, and equitable food systems.	X				
	Action 2.2	Monetize the value of relevant ecosystem services delivered by regenerative and sustainable agriculture practices, including improved resilience and environmental outcomes. G20 members should develop a regulatory framework to accelerate the development of high-integrity, interoperable credits for ecosystem services (e.g., carbon sequestration, healthy soils, freshwater use and pollution reduction, biodiversity conservation, etc.).	X				X

B20 Taskforce		Recommended Actions	Use Cases				
			1	2	3	4	5
Sustainable Food Systems and Agriculture	Action 3.2	Support actionable, science- and rules-based measures to enable sustainable practices adoption while facilitating market access within the advancements of the WTO's rules-based multilateral agricultural trading system. G20 members should foster the adoption of sustainable practices and facilitate market access by improving the efficiency of international standard-setting bodies and ensuring transparency through traceability and certification schemes.			X		
Trade & Investment	Action 2.1	Promote internationally accepted methodologies for carbon product footprint calculation and reporting, taking into consideration different sectoral requirements. Agree on good regulatory practices and interoperable taxonomies for the establishment by countries or trade blocs of environmental sustainability measures, such as industrial policies to foster sustainability and carbon border adjustment measures.			X		
	Action 3.1	Adopt digital documents standard for customs clearance, accelerate the international coordination for cross-border flow of electronic information related to trade transactions, facilitate the interoperability of standards and protocols for data exchange, while ensuring the protection of businesses' confidential information.				X	
	Action 3.2	Increase access to trade finance and export finance by facilitating the digitalization of trade and trade financing, including the establishment of an enabling regulatory framework for trade financing, and by strengthening government export programs to support LDCs', MSMEs', and women's access to international trade.					X

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Acronyms

AEFR	Association Europe Finances Régulation
AES	Advanced Electronic Signature
AML	Anti-Money Laundering
BAFT	Bankers' Association for Finance and Trade
CapEx	Capital Expenditure
CCF	Credit Conversion Factor
CFT	Combating the Financing of Terrorism
DLs	Distributed ledgers
DLT	Distributed Ledger Technology
EBIDA	Earnings Before Interest, Depreciation and Amortization
ESG	Environment, Social and Governance
EU	European Union
FATF	The Financial Action Task Force
FSB	Financial Stability Board
GAME	Global Alliance for Mass Entrepreneurship
GFANZ	Glasgow Financial Alliance to Net Zero
GLEIF	Global Legal Entity Identifier Foundation
GDP	Gross Domestic Product
GDPR	General Data Protection Regulation
GPFI	G20 Global Partnership for Financial Inclusion
GVCs	Global Value Chains
ICAEW	Institute of Chartered Accountants in England and Wales
ICC	International Chamber of Commerce
IFC	International Finance Corporation
IFSA	International Financial Services Association
ILO	International Labour Organization
IRB	Internal Ratings-Based
ISO	International Organization for Standardization
KYC	Know Your Customer
LEI	Legal Entity Identifier
MDBs	Multilateral Development Banks
MPIA	Multi-Party Implementation Agreement
MSME	Micro, Small and Medium-Sized Enterprise
OECD	Organization for Economic Co-operation and Development
QES	Qualified Electronic Signature
SDGs	Sustainable Development Goals
SME	Small and Medium-Sized Enterprise
UN	United Nations
UNCITRAL UN	Commission on International Trade Law
WCO	World Customs Organization
WEF	World Economic Forum
WTO	World Trade Organization

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