

Prepared For

B20 2015 Infrastructure Task Force Policy Recommendations

Based upon the voice of the real economy participants on the ground level

9 July 2015



RECOMMENDATIONS FOR 2015 B2O INFRASTRUCTURE & INVESTMENT TASK FORCE

Premise

As a foundation for developing our recommendations for the 2015 B2O Infrastructure and Investment Task Force, our comments are based upon the following:

- **Analyzing proposals from previous G20 Summits** - The Russia, Australia and Turkey B2O Employment taskforces are to be applauded, as many of their recommendations are rightly focused on the need to stimulate infrastructure investment toward achieving economic growth.
- **Understanding Task force interdependencies** - While the B2O Task Forces have developed independent objectives, due to the global economy interdependency, it is evident their proposals overlap thus requiring a highly integrated approach for their implementation.
- **Listening to the voice of the real economy participants at the ground level** - The G20 Nations Case Study results to date covering 38% of the G20 population have yielded that 89% want new digital tools to increase throughput at border crossings to reduce time dwell thus maximizing existing physical infrastructure.

Given the urgency to fund infrastructure investments needed, out of the box thinking is required to kick-start the global economy.

A reality check yields that market expansion is required and this demands a focus on the real economy of manufacturing, agriculture and the services industry. This market expansion will provide greater profits and tax revenues for the private and public sector to reinvest in physical infrastructure.

Whilst current and past thinking leads us to a particular focus we would recommend a more holistic approach which encompasses the needs of participants on the ground and the interdependencies of all task forces. The digital economy is the means to facilitate such an outcome.

Past & Current

TURKEY

- Improve investment ecosystem and set basis for infrastructure as an asset class
- Develop national infrastructure strategies linked to country growth aspirations
- Commit to national investment principles related to FDI

AUSTRALIA

- Reaffirm the critical importance of infrastructure (and private investment in infrastructure) and set specific 5 year targets aligned to a national strategic vision.
- Establish, publish and deliver credible national infrastructure pipelines that have been rigorously assessed and prioritized by independent infrastructure authorities.
- Establish an Infrastructure Hub with a global mandate to disseminate leading practice to facilitate the development and delivery of pipelines of bankable investment ready infrastructure projects.
- Work towards greater promotion and protection of cross-border capital flows and Foreign Direct Investment (FDI) through a Model Investment Treaty (MIT).
- Promote longer term investment by removing unnecessary regulatory disincentives.
- Implement infrastructure procurement and approvals processes that comply with global leading practice.

RUSSIA

- Identify and remove restrictions on free flow of capital (inflow and outflow) to reinforce cross border investments that support economic growth.
- Stimulate private investment in infrastructure and other real economy assets across all countries.
- Encourage application of best practices to increase productivity of investments in infrastructure and green energy.

Reality Check

Why isn't the real economy the driving theme in the global arena and how do the B2O recommendations address this?

Lack of demand is forcing the emphasis on financial engineering for fast wealth creation. However, this comes at the cost of growing the real economy which impedes infrastructure investment.

How do the B2O recommendations address poor market demand?

The world's demographics are changing. In high income countries the population is aging yet salaries remain high. This is a productive community challenged with low market demand. In mid and low income countries, birth rates are high, the population is growing, but salaries are low.

How can we increase financial resources to meet physical infrastructure investment requirements?

The projected funding needed for infrastructure investment by 2030 exceeds USD 57 Trillion where the resources for such funding have not yet been identified.

How can we overcome the difficulties in prioritizing and attracting national and foreign direct investment to achieve economic growth and investment returns?

It is challenging to justify projected returns on infrastructure investment. The debate often centers around: the investment must first be made before the volume can be generated, or, the volume must first be proven before the investment can be allocated.

What are the means by which to maximize the capacity utilization of existing physical infrastructure?

The lack of visibility as to current and future trade volumes contributes to inefficient logistics infrastructure, creating bottlenecks in the flow of commerce.

Recommendation

The Real Economy must be the driving theme to deliver sustained economic growth

Our efforts must be concentrated on the following three main economic pillars of the real economy; manufacturing, agriculture and the services industries that support them.

Sustaining global market demand is essential to justify and expedite infrastructure investment

We must connect the youthful workforce of the mid and low income countries with the expertise of the high income countries thus building the buying power of the mid and low income countries creating an unprecedented new global market demand that will justify and expedite infrastructure investment.

Deploy digital tools to generate adequate financial resources to fund physical infrastructure investment.

Maximize the efficiency of global trade through the use of digital tools to reduce the cost of trade and increase trade. This will provide greater profits and tax revenues for the private and public sectors, respectively, to re-invest in physical infrastructure.

Promote visibility of national trade to prioritize and attract national and foreign direct investment

Identify the present and future trade volumes as well as which industries and locations achieve operations excellence that will generate the required returns to justify national and foreign direct investments.

Use soft infrastructure to maximize the capacity utilization of logistics physical infrastructure.

Encourage the use of digital tools by increasing throughput at port and border crossings and reducing shipment time dwell to maximize capacity utilization throughout the logistics pipeline.

NB: The boxes in lighter shade illustrates the wider scope of our recommendations

2015 B2O TASK FORCES INTERDEPENDENCIES TOWARDS ACHIEVING SUSTAINED ECONOMIC GROWTH

