# G20/OECD DRAFT REPORT ON INVESTMENT STRATEGIES

# OECD REPORT TO G20 FINANCE MINISTERS AND CENTRAL BANK GOVERNORS

**August 2015**

This draft updated report provides a first draft of the G20/OECD publication on "G20 Investment Strategies". It contains a more elaborated comparative analysis of the responses to the survey and their updates (including tables updated by the Mexican Ministry of Finance) and a compilation of the responses to a matrix evaluating existing legal and institutional settings for infrastructure investment (prepared by the Indonesian Ministry of Finance). It also takes into account the comments received on the progress report circulated at the G20 Finance and Central Bank Deputy June meeting in Bodrum. It is ongoing work. This interim report will be revised based on further analysis, additional country contributions (including late revisions) and consultations with IOs. The current version of the report is circulated with an Addendum with thematic tables.

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This report was submitted to the G20 IIWG meeting in Berlin on 20-21 August 2015, and is now transmitted to the September meeting of the G20 Finance Ministers and Central Bank Governors.

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## EXECUTIVE SUMMARY

### The G20 policy context

The role of investment and especially long term investment has been recognised by G20 Leaders for years. At the most recent Summit in Brisbane, Leaders recognised for instance that "*tackling global investment and infrastructure shortfalls is crucial to lifting growth, job creation and productivity. Our growth strategies contain major investment initiatives, including actions to strengthen public investment and improve our domestic investment and financing climate, which is essential to attract new private sector finance for investment".*

More recently (in February 2015) the G20 Finance Ministers and Central Bank Governors stated they were committed to boosting investment in G20 countries via concrete and ambitious investment strategies that will also support their collective growth objective. In April, they reaffirmed their commitment to boost investment in G20 countries as an important driver of growth. They stated they were working on concrete country-specific investment strategies that will support the G20 collective growth objective including through policies to improve the investment ecosystem, foster efficient infrastructure investment and support sound long-term financing opportunities for businesses including SMEs. They added they will also do a quantitative assessment of their investment strategies. They planned to develop the investment strategies by their September meeting with a view to presenting them at the Antalya Summit. They looked forward to the progress on country-specific investment strategies and their analysis by the OECD, together with other IOs, for their September meeting to assist them in providing an aggregate ambition.

### The deliverables

As part of the broader effort to boost investment through concrete country investment strategies, and following mandates given by both the G20 Leaders and the Finance Ministers and Central Bank Governors, the G20 Investment and Infrastructure Working Group (IIWG) has conducted in 2015 a voluntary survey to compile information and data on countries' investment strategies, including the main challenges being addressed, policy priorities, and the policy context of these strategies. The results of this survey were discussed at the May and August meetings of the IIWG and the G20 Finance and Central Bank Deputies meeting in June. While further work is still required, especially to take into account some late contributions and the need for further consultations (including by IOs), **it is suggested, as already mentioned in the paper circulated to the G20 Finance and Central Bank Deputies June meeting and as agreed by the IIWG, that the G20 Finance Ministers and Central Bank Governors agree in September on the principle to deliver two major contributions by the time of the Leaders' Summit in November 2015, i.e. a joint G20/OECD Publication on "G20 investment strategies" and an Annex to the Leaders Declaration on investment strategies**. The last version of these contributions would be vetted in October by the IIWG and the Finance and Central Bank Deputies through the written process (in time for November delivery).

These two major deliverables are expected to promote the knowledge sharing amongst the G20 members and assist them in the development of their respective investment strategies. They will also provide indication for further progress needed to be implemented by G20 countries in order to optimise their strategies and plans, as well as direction for further G20 joint work and actions.

### The G20/OECD Publication

The Publication initiated by the G20 Turkish Presidency and prepared by the OECD, together with IOs (with special contributions from Indonesia and Mexico) will contain a compilation and comparative analysis of a huge amount of information on investment strategies in G20 countries, at relevant geographical and sectoral levels. More than 300 measures have been undertaken or planned since 2014. They act as facilitators or safeguards of the process involved by the respective investment strategies and relate to three major areas, i.e. the investment ecosystem, infrastructure, and SMEs. This substantial amount of information also provides first indications of good practices implemented in the G20 countries, existing trends but also indication of avenues for further progress. This Publication (to be issued in two volumes) will provide for the first time an unique knowledge sharing tool on G20 investment strategies for G20 members, other countries and any stakeholders and interested institutions and persons.

**The Annex to the declaration**

***Some major learnings***

The G20 initiative on investment strategies will facilitate at least three objectives, i.e. improve knowledge sharing, identify areas for joint policy action and support measures set out in the growth Strategies. The “Annex” will first provide a selection of some of the major policy learnings identified in the publication.

Investment is an important driver of growth, employment and productivity and a full component of G20 Growth Strategies. A major tool, amongst others, to promote quality investment is to develop appropriate **investment strategies**, at any relevant geographical (national and subnational) and sectoral levels (including for instance energy, transport, logistics, digital programmes and R&D).

These **multiform** strategies favour efficient approaches based on the identification of various needs and gaps, taking into consideration the specific related circumstances; they help maximise some forms of cooperation and the involvement and identification of relevant public and private stakeholders, while contributing to the achievement of carefully considered investment objectives based on quality and efficiency. The strategies will help overcome the challenges related to the promotion of investment but no one jurisdiction faces all of the challenges and no single challenge has been addressed the same way by all jurisdictions. The **diversity** of the approaches is also reflected in the level of engagement of the countries which varies significantly in terms of volume of investment, selection of priorities, actions undertaken and type of measures implemented. Major common trends emerged however from the analysis developed in the Publication.

The investment strategies are **not stand alone** mechanisms. They need to be developed as part of a **comprehensive approach** which includes other essential elements which will make these strategies successful and contribute to sustainable and inclusive growth; the following non exhaustive list of elements, which will also restore confidence, attract investors and free resources, has been highlighted several times in the survey: the country **growth strategies**, the **fiscal responsibility/sustainability**, the **financial stability** and sound prudential framework, the competitiveness, the **structural reforms**, and in particular labour reforms, the business environment and the **productivity** and related importance of skills, education, innovation.

A majority of G20 countries are increasing their public investment. If most countries are putting new investment plans in place, they increasingly recognise that the emphasis should be on the **quality of investment** and the related need to improve its efficiency, including through proper costs/benefits analysis.

Given the scale of the long-term investment requirements, reflecting – depending on the countries - ageing infrastructure, economic development and rapid urbanization, and more fundamental development goals, and the constraints on many government budgets, it is expected that governments will increasingly need to partner with the **private sector** to meet at least some of these needs. This potentially allows for further efficiency and sustainability of the projects.

Most G20 countries are promoting the role of the private sector, including through the development of **public private partnerships** and various incentives (including **tax** incentives which are in place in all G20 members). While traditional forms of financing such as banks and corporate financing currently face some challenges, governments are increasingly turning to **new sources such as institutional investors** and capital markets in general. Most G20 countries are favouring the development of these alternative /complementary sources of financing and promoting the availability of a larger spectrum of related **financial instruments**.

**Various obstacles** have to be addressed to facilitate the role of the private sector, in particular in infrastructure investment. In this respect, Most G20 countries recognise the need to improve the **policy/regulatory predictability, certainty and transparency** through all the regulatory process and consider that **competition** is a major factor to improve investment. General trends are also observed towards a reduction of red tape and **administrative burdens** with for instance paper-free operations, reduction of lengthy processes, reform of procurement rules, while several countries note that excessive bureaucracy is conducive to informality.

The expected **return and risk** of investment projects is obviously a key consideration in the effort to attract private capital. The survey shows a growing recognition of the need for relevant risk factors to be transparently **communicated** to allow them to be properly assessed and priced, as well as the importance of historical **data** on existing long-term projects, suitable **project pipeline** and adequate **skills** for evaluating technical aspects of investment projects.

Efforts have been undertaken as well in numerous G20 members to attract **foreign investors** , including through easing the foreign direct investment regulation, while the globalisation of the economic activities call for the facilitation of public and private cross border investment.

A general trend to optimise the role of **MDBs and NDBs** in facilitating investment and infrastructure investment, including as catalyser of private investment and provider of technical advice, and to stimulate the role of public investment funds is also present in most G20 members.

The survey also confirms that most members have introduced policies to support the **SME sector**. Specific measures and programmes include the facilitation of access to finance and in particular the promotion of venture capital, especially for SME which have collateral issues, securitisation, tax incentives and easing regulatory constraints.

**Investment figures**

Members are providing several figures on specific projects or country investment. While they aren't all entirely comparable, this "bottom-up" data generally demonstrates a clear willingness from countries concerned to boost their investment strategies. The data on investment-to-GDP ratio collected through the survey and the work of the Framework Working Group provide another interesting "top down" information. If the majority of the G20 countries which provided the information plan to increase their investment/GDP ratio from 2014 to 2018, some countries are planning a decrease in real terms. Various factors can explain this situation, including the public investment constraints, but also the potential policy decision to focus more on quality investment than quantity. There is a large variety of investment between member countries: in 2014, the available data shows for instance the total investment-to-GDP ratio ranges from 16.9% to 46.1%. The biggest current increase reaches 4.2 %, while the biggest decrease (related to a swift of sectoral investment) reaches 3.4%.

Further data has still to be made available in the next few weeks before any collective figure (which could combine both the top/down and bottom up approaches referred above) can be integrated in the publication and communicated with proper qualification to take into consideration the various specificities of the data collected.

**Avenues for further progress**

There is significant room for further progress in several major areas. First some G20 countries may wish to reconsider their current plans and when relevant increase the level of their investment plans and/or reconsider their respective allocations. As mentioned above, a “pause” or even slowdown in such increase in order to favour more “quality” investment may however be a relevant alternative in some cases which would match perfectly well the respective country priorities.

Concerning the investment strategies, the Publication shows that there are several avenues for further policy actions to be considered by several G20 members. These include (but are not limited to) the following issues which would improve the respective investment strategies:

- A better quality assessment of the actual needs and related cost benefit analysis and a focus on **quality** investment.
- Further actions to promote the active role of the **private sector** and make projects attractive to them, including attracting institutional investors and capital markets and developing adequate financial instruments.
- Addressing the lack of **coordination** between institutions and plans and the multiplication of duplicative or similar programmes.
- Improving the **communication** on existing programmes and their access, especially for SMEs.
- Ensuring fair practices, transparency and accountability, including through anti-corruption practices and responsible conduct business.
- Facilitating further **cross border investment**
- Addressing further the necessity to promote **green investment**, including investment dealing with disaster risks.
- Improving the **project preparation** and development process, including project prioritization, PPP, contractual provisions and disclosure and stakeholder (including government staff) expertise.
- Promoting further **productivity** and innovation, including through R&D programmes.
- Addressing further the **SME** challenges, including for movable assets, securitisation, financial inclusion/ education, informality.
- Addressing the major **data gap** issues for infrastructure and SMEs at micro and macro levels.
- Implementing the various **instruments** which have been developed under the aegis of the G20 (or other relevant fora) in the investment areas. [1]

[1] This includes: the G20 leading practices on promoting and prioritizing quality investment, the G20/OECD High-Level Principles on Long-Term Investment Financing by Institutional Investors, the G20/OECD Checklist on Long-Term Investment Financing Strategies and Institutional Investors, the WBG’s Prioritizing Projects to Enhance Development Impact and the recent 2015 new instruments (such as the IMF guidance on “Making Public Investment More Efficient”, the revised OECD Policy Framework for Investment, the OECD guidelines “Towards a Framework for the Governance of Infrastructure”, The G20/OECD Principles of Corporate Governance, the MDB’s Common Approaches to Supporting Investments in Infrastructure, the WBG Draft Infrastructure Prioritization working paper and Draft Infrastructure Prioritization Platform, the WBG/OECD Draft Checklist for PP Projects, the WBG Draft Report on Recommended PPP Contractual Provisions and Good Practices on PPP Disclosure).

**Potential Directions for future joint work**

The Publication testifies to the very large amount of initiatives undertaken in G20 countries to promote investment through investment strategies. While the Publication already provides a unique source of information and analysis, it also identifies areas related to investment strategies where further work and action could be undertaken, building further on the work of the IIWG developed with the support of the OECD, together with other IOs. Based on the current mandates provided by the Leaders and the Finance Ministers and Central Bank Governors and the Publication, future joint G20 work and actions which could be developed by the IIWG with the continued support of the OECD and other IOs, could include the updating and enlargement to other countries of current information, data gathering and analysis included in the Publication and other data sources, with a potential focus on specific thematic issues; member-led identification and assessment of good practices and effective approaches, in particular in areas where further progress is needed; better understanding of country approaches, and consolidation and monitoring of existing instruments.

## REPORT ON COUNTRY-SPECIFIC INVESTMENT STRATEGIES

1. G20 Leaders have stressed the importance of tackling investment and infrastructure shortfalls, as reflected in the gaps between estimated infrastructure needs and available financing. As part of the broader effort to better understand and address these shortfalls, the G20 Investment and Infrastructure Working Group (IIWG) has conducted a voluntary exercise to compile information and data on countries' investment strategies, including the main challenges being addressed, policy priorities, and policy context of these strategies. This short report provides a review of the information received to date from Working Group members.

**Introduction**

2. An accumulated body of evidence confirms the central importance of efficient investment to growth and sustainable development. Efficient investment helps to expand an economy's productive capacity, drives job creation and supports income growth. It can be used to add additional productive capacity or more simply to improve the efficiency of existing assets such as through a change of ownership. Under the right conditions, investment raises overall output both through factor accumulation and innovation; that is, the introduction of new techniques and processes, which boost productivity and ultimately a country's standard of living. Many types of investments contribute to this effort, ranging from human or intellectual capital to physical assets.

3. By the same token, poor quality or inadequate infrastructure, in particular, economic infrastructure such as electricity, water and sanitation, and communication and transport network systems, imposes costs on producers and can restrict the flow of goods, services, people and market information both within the economy and across borders. This generally affects all firms, but infrastructure problems usually affect smaller firms the most, including by inhibiting their integration into global value chains and broader economic development. Infrastructure weaknesses have the effect of segregating markets, which serves to limit competition and the incentives to innovate and to improve productivity.

4. Given current infrastructure gaps, the capacity of existing infrastructure is rapidly coming under strain, which calls for significant amounts of investment, while attending to the added pressures of environmental sustainability, which calls for enhanced efficiency.

5. These considerations are not unfamiliar to G20 governments, which have taken various steps to remove impediments to private participation in investment activities. There does not appear to be a one-size-fits-all approach that suits all countries and all sectors at all times, as reflected in the differences in investment strategies outlined in this report and in the measures planned or adopted to implement them. For example, different countries opt for different degrees of decentralization of the responsibilities for investment planning and execution, across ministries and levels of government, including between the central and subnational levels. That said, there are many common elements among the specific actions taken. The following sections of this report outline the basic components of the overall investment strategies and associated specific investment actions.

6. Given the scale of the long-term investment requirements, reflecting ageing infrastructure in developed economies, economic development and rapid urbanization in developing countries, and more fundamental development goals in lower income economies, and the constraints on many government budgets, it is likely that governments will need to partner with the private sector to meet some of these needs.

7. Institutional investors are increasingly looked upon as alternative sources of long-term financing, in particular in light of the tightening liquidity and capital constraints being placed on the banking sector.

While higher capital and liquidity standards may contribute to increasing bank resilience, banks in many jurisdictions may be faced with new business realities that require them to re-price their business lines and re-allocate capital. In particular, banks in jurisdictions most severely affected by the crisis face the pressures of rebuilding balance sheets and running down impaired assets. All these developments have the potential to adversely affect their lending capacity (especially for long-term illiquid assets such as infrastructure) and reduce financial market liquidity.

8. Large infrastructure demands and institutional investors seeking to enhance their asset-liability management with higher yielding assets seem like a perfect match. Institutional Investors such as life insurance companies and pension funds have long-term liabilities that call for suitable long-term assets, and in the current environment of low long-term rates are seeking avenues for diversifying their portfolios. Surveys indicate that institutional investors' interest in alternative assets has been growing since the mid-2000s in Asia, Europe, and the US, yet available data show that these investors have on average allocated no more than 1% of their portfolios to long-term illiquid assets such as infrastructure.

9. There can, however, be impediments to the participation of institutional investors in financing long-term investment projects. These impediments may vary by size and type of investor. The government can play a supporting role in helping to support the development of the institutional investor sector, which can in turn contribute to growth and development of private capital markets. Importantly in this context, institutional investors need flexible instruments and regulatory frameworks to enable their participation in funding new ventures, albeit consistent with prudent investment management principles. Governments can also support the growth and development of institutional investors by ensuring that investors and creditors have clearly defined rights and can enforce them.

10. A strong legal environment and effective enforcement capabilities are especially important for access to external finance. These rights need to be well balanced. When creditor rights are weak and contract enforcement is long and costly, financial intermediaries will be less willing to extend credit to firms. When shareholder rights are weak, investors will be less willing to extend equity finance. Having efficient enforcement mechanisms in place also facilitates the development of asset-based financing arrangements (e.g., factoring, leasing, and securitisation).

11. In addition, while investment activities have the potential to help achieve a broad range of public policy goals, including financial stability, debt sustainability, job creation, inclusive growth, higher living standards, competitiveness, sustainable economic development and green growth,[2] such investment is by its very nature forward looking and subject to various risks. Long-term investments can be particularly difficult to assess, given the longer time horizons over which agency problems and related weaknesses can develop, the greater uncertainty regarding investment returns, and the tendency towards higher illiquidity.

12. The high up-front costs, lack of liquidity and long asset life of long-term investments, especially infrastructure, require particular skills and significant resources on the part of investors, both to understand the risks and to manage them effectively. The expected return and risk of such projects is obviously a key consideration in the effort to attract private capital. Investors will be reluctant to commit funds to investments if risks are not clearly understood and expected rewards are not adequate, a determination which requires that relevant risk factors are transparently communicated to allow them to be properly assessed and priced. After careful consideration and cost-benefit analysis, government intervention may be called for in circumstances in which the rate of return proves insufficient to compensate private sector investors for the perceived level and character of risk.

13. But investment activities more generally can be impeded by a range of other factors that render investors unable or unwilling to undertake real investments, including by restrictive product market

[2] See Principle 1.1 of the "G20/OECD High-Level Principles on Long-Term Investment Financing by Institutional Investors".

regulations that reduce the ability of firms to undertake new activities or to enter new markets, especially across borders. Some factors exist in the *financial environment* or the broader *macroeconomic environment*, while others pertain to *public governance* or the *entrepreneurial and general business environment*. Achieving macroeconomic and financial stability, political predictability, a sufficient degree of social cohesion and upholding the rule of law are pre-conditions for sustainable development, and many efforts identified in the survey responses address these issues.

14. Some challenges exist at the level of individual investors and investment projects. Many challenges relate to impediments to infrastructure investment, but there are also some that reflect *access-to-finance problems of small and medium-sized enterprises* SMEs), in particular, in some cases in the area of risk capital, and others that pertain to the banking sector or in markets for corporate finance.

15. On the infrastructure front, issues arise concerning rural and regional development, the need to make projects inclusive, promoting investment in sustainable energy and other "green" infrastructure. Capacity-building efforts are needed in some cases to facilitate decisions on what kind of infrastructure to build and maintain in order to meet socio-economic and sustainable development needs, as well as how much to spend. These types of decisions require in some jurisdictions enhanced capability to undertake cost-benefit analyses and related decision-making procedures. Efforts to develop an appropriate framework for public-private investments and a proper functioning procurement process are also discussed. In some cases, there is also a need to ensure adequate co-ordination across agencies and at all levels of government, including at the regional level.

16. Many measures identified in the survey responses address the costs of doing business in the economy, which for investors have to be balanced against the expected returns from an investment and can affect the likelihood of success of infrastructure projects. Some costs may affect all firms more or less the same, but the impact can often be greater for small and medium-sized enterprises and steps are being taken to achieve a more favorable business climate for SMEs in general and start-ups and innovative firms in particular.

17. Effective competition is essential for a dynamic business environment in which firms of all sizes are willing to take risks and invest and in this context measures that seek to level the playing field have been identified in the responses. In the effort to create a competitive business environment, some measures focus on ensuring proper business conduct on the part of larger companies in their dealings with smaller enterprises, while others address problems of information asymmetry issues of transparency.

18. Examples of the various challenges that have been cited and the measures adopted to address them are provided in the discussion below. Parties interested in a more complete treatment are kindly recommended to consult the full compilation of survey responses.

19. The specific challenges covered include a lack of appetite among investors for infrastructure and other long-term investments; short investment horizons; inadequate skills for evaluating technical aspects of investment projects; inadequate risk management capabilities; impediments inherent in the legal or regulatory environment; a lack of transparency or historical data on existing long-term projects; the lack of suitable pipeline of investment options; and a lack of suitable investment vehicles. As may be seen in the tables, many challenges are common to a number of countries while others are more limited in their incidence. No one jurisdiction faces all of the challenges and no single challenge has been addressed the same way by all jurisdictions.

20. A wide range of measures have been proposed or adopted to support or promote long-term investment activities. Some actions are indirect; they target the framework conditions under which long-term investment activities are conducted, which include the broader economic and financial context. Others

are more direct; they focus on particular economic agents, sectors or projects and can target different phases of project life, ranging from planning stages to completion.

**Table 1. Cross-clusters action/areas referred to in the current responses**

| Referred to by a majority of G20 members | Referred to by a significant minority of G20 members | Referred to by few G20 members |
| --- | --- | --- |
| – Improved role of capital markets and institutional investors<br>– New financial instruments<br>– Improve efficiency of public expenditure and develop cost benefit analysis<br>– Improve competition<br>– Reduce administrative burden and simplify regulation<br>– Public procurement<br>– Tax incentives<br>– Strengthening PPP<br>– New role for MDBs and NDBs<br>– Ease FDI and foreign investors' role<br>– Improve venture capital<br>– transparency<br>– Digital programme | – Improve R&D<br>– Importance of education<br>– New public funds<br>– Regulating crowdfunding<br>– Pipelines of projects<br>– Green investment<br>– Movable assets<br>– Restore banking role | – Improve bankruptcy system<br>– Anti-corruption<br>– Improve financing inclusion /education<br>– Infrastructure against disasters<br>– Minimum level of investment in infrastructure<br>– Unfair practices (SME)<br>– website |



21. Note that the exercise on development of investment strategies is referring to investment strategies[3] and not "national" strategies only. This allows for consideration of the case of several countries in which the investment decisions and implementation are taken, sometimes mainly, at sub-national level (*i.e.* at the level of state, province, county, or local governments). Regional cross-country strategies may also be included.

22. A range of strategies has been developed and there is no one-size-fits-all approach. Strategies can vary, for instance, depending on:

a) the public decision making level: regional, national or subnational

b) the sectors (energy, transport, logistics)

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3 While no explicit definition of a strategy was provided for the survey, the following one (adapted from the OECD/INFE High level National Strategies for Financial Education endorsed by G20 leaders in 2012.) may for the time being be used as a working reference,. A Strategy for investment is defined as "*a coordinated approach to investment that consists of an adapted framework or programme"*, which:

- Recognises the importance of investment - including possibly through legislation- and defines its meaning and scope in relation to identified needs and gaps;
- Involves the cooperation of different stakeholders as well as the identification of a co-ordinating body (at whatever level);
- Establishes a roadmap to achieve specific and predetermined objectives within a set period of time; and,
- Provides guidance to be applied by individual programmes/projects in order to efficiently and appropriately contribute to the strategy."

c) the economic development of the areas concerned

d) the nature of the projects (size, complexity)

e) the type of private investment provided (institutions, direct/indirect, equity/debt, PPP), and

f) the institutional arrangement

23. It should be noted that various types of other information exist as well, developed in some cases by the G20 in cooperation with IOs (e.g., the G20/OECD Effective Approaches to Implement the G20/OECD High-Level Principles on Long-Term Investment by Institutional Investors), and in other cases by various IOs (e.g. IMF, OECD, UNCTAD, WBG, etc.). There are also several international instruments[4] which provide guidance and choices for countries when developing their investment strategies; they include for instance:

- The G20 leading practices on promoting and prioritizing quality investment.
- G20/OECD High-Level Principles on Long-Term Investment Financing by Institutional Investors.
- The G20/OECD Checklist on Long-Term Investment Financing Strategies and Institutional Investors.
- The WBG's Prioritizing Projects to Enhance Development Impact.

24. At some point it would be useful to consider reconciling and consolidating all these instruments and information. The work referred to above contains a lot of information which is not necessarily captured in the investment strategies' template. For instance the G20/OECD High-Level Principles on Long-Term Investment Financing by Institutional Investors and in particular the Effective Approaches which have been identified to facilitate their implementation, include several practices in G20 countries which are fully relevant for investment strategies and which may not be reflected in the current strategies.

25. Such consolidation can also facilitate the connection between different approaches, allowing one to "connect the dots". As an example, one could consolidate the "right siting" paper by Singapore/OECD, which addresses inter alia the transfer of project loans from banks to institutional investors, the Australian Asset recycling initiative, providing state governments with incentives to privatise existing infrastructure assets, and Mexican NDBs intention to analyze their credit portfolios in order to identify those credits that could be refinanced in order to increase available resources for financing new infrastructure projects. All three target the same objective of optimizing the financing of infrastructure, but from somewhat different angles and institutions.

26. While heterogeneous, the information provided is quite rich and demonstrates the willingness of G20 members to promote investment and in particular investment in infrastructure, as well as SME financing. About 250 measures have been introduced or considered since 2014 in these fields.

27. When agreeing on the template developed to collect the information, the G20 members agreed on several major characteristics of what could be a country investment strategy. These characteristics were

[4] New instruments are also in the pipeline in 2015, such as the IMF guidance on "Making Public Investment More Efficient", the revised OECD Policy Framework for Investment, the OECD guidelines "Towards a Framework for the Governance of Infrastructure", The G20/OECD Principles of Corporate Governance, the MDB's Common Approaches to Supporting Investments in Infrastructure, the WBG Draft Infrastructure Prioritization working paper and Draft Infrastructure Prioritization Platform, the WBG/OECD Draft Checklist for PP Projects, the WBG Draft Report on Recommended PPP Contractual Provisions and Good Practices on PPP Disclosure.

identified in several dimensions: First, measures may be classified either as “Facilitators” or “Safeguards”. Second, for each of these two groupings, there are three areas or sectors involved: (i) Investment ecosystem, (ii) Infrastructure, and (iii) SMEs. There are various sub-clusters in each of these categories (see box 1). The following box 2 provides a summary of the Addendum I (consolidated by Mexico) grouping the responses by thematic categories. The next sections provide first an analysis from the Indonesia Ministry of Finance of the responses provided on the survey on evaluating existing legal and institutional settings for infrastructure investment and then the OECD analysis of the survey on investment strategies. Three annexes provide further details on the various approaches and measures undertaken.

### Box 1. Types of strategic actions

| | Facilitators | Safeguards |
|---|---|---|
| **Investment Ecosystem** | **1 Supporting Improvements in Investment Climate and Promoting Private Investment**<br>Preserving macroeconomic, financial and price stability<br>Fiscal burdens, constraints, and soundness<br>Enhancing efficiency of public expenditure/investment (includes cost-benefit analysis)<br>Boosting productivity<br>Promoting "green" investment<br><br>**2 Facilitating Financial Intermediation**<br>Addressing the need for balance sheet repair / role of banks<br>Mobilizing savings, financial education and inclusion<br>Addressing a lack of suitable investment vehicles<br>Addressing underdeveloped capital markets | **3 Enabling Appropriate Legal and Institutional Settings**<br>Improvements in the general business climate<br>Boosting competition<br>Addressing restrictive legal & regulatory environment (includes FDI) / eliminating excessive "red tape" |
| **Infrastructure** | **4 Supporting Improvements in Investment Climate**<br>Promoting regional development (includes agriculture and rural development)<br>Addressing a need for coordination<br>Addressing bottlenecks and logistics problems<br><br>**5 Facilitating Financial Intermediation**<br>Addressing bottlenecks and logistics problems<br>Addressing a lack of long-term finance<br>Insufficient risk capital instruments and markets (includes venture capital)<br>Strengthening public investment<br><br>**6 Mobilizing MDB Resources and Role of NDBs** | **7 Enabling Appropriate Legal and Institutional Settings**<br><br>**8 Project Spectrum: Project Planning, Prioritization and Process Development**<br>Timeline for project approval<br>Sub-national readiness<br><br>**9 Addressing Data Gaps** |
| **SMEs** | **10 Facilitating Financial Intermediation**<br>Promoting access to finance<br>Need for alternatives to bank credit/suitable financial instruments (includes securitization)<br><br>**11 Mobilizing MDB Resources and Role of NDBs** | **12 Enabling Appropriate Legal and Institutional Settings**<br>Technical assistance / capacity building<br>Competition / unfair business practices<br>Administrative burdens<br>Promoting R&D, innovation and business start-ups<br>Movable collateral laws and registries<br>Insolvency regimes<br>Tax incentives<br><br>**13 Addressing Data Gaps** |



### Box 2. Thematic Tables - Summary

| | Facilitators | Safeguards |
|---|---|---|
| **Investment Ecosystem** | **1. Supporting Improvements in Investment Climate and Promoting Private Investment**<br>1.1 Macroeconomic stability<br>1.1.1 Preserving macroeconomic, financial, price stability<br>1.1.2 Fiscal burdens, constraints, and soundness<br>1.1.3 Promoting regional development (includes agriculture and rural development)<br>1.1.4 Improvements in the general business climate<br>1.2 Competition strategy and regulatory reforms<br>1.2.1 Boosting productivity<br>1.2.2 Promoting inclusive growth<br>1.2.3 Boosting competition<br>1.2.4 Competition/unfair business practices<br>1.3 Removing restrictions on investment (including FDI) - Eliminating excessive "red tape"<br>1.4 Strengthening public investment efficiency - Cost-benefit analysis<br>1.5 Promoting R&D and business startup<br>**2. Facilitating Financial Intermediation**<br>2.1 Promoting domestic financial savings - Financial education & inclusion<br>2.2 Private sector financing tools (local debt market and capital market)<br>2.2.1 Addressing a lack of suitable investment vehicles<br>2.2.2 Promoting access to finance<br>2.3 Respective role of different actors (banks, inst. investors, corporate finance)<br>2.3.1 Need for alternatives to bank credit/suitable financial instruments (includes securitization)<br>2.3.2 Mobilizing MDB resources and role of NDBs | **3. Enabling Appropriate legal and Appropriate Setting**<br>3.1 Rule of Law and public governance<br>3.2 Preconditions for long-term investment - Improvements in the business climate<br>3.3 Governance and incentives of financial intermediaries - Need for transparency<br>3.4 Adequate regulatory framework<br>3.4.1 Addressing restrictive legal & regulatory environment<br>3.4.2 Administrative burdens<br>3.5 Openness and information sharing<br>3.6 Responsible business conduct - Competition/unfair business practices |
| **Infrastructure** | **4. Supporting Improvements in Investment Climate**<br>4.1 Regulatory framework for infrastructure<br>4.1.1 Need for coordination<br>4.1.2 Addressing restrictive legal & regulatory environment<br>4.2 Strengthening Public Investment<br>4.2.1 Multiyear Investment Plans<br>4.2.2 Strengthening public investment<br>**5. Facilitating Financial Intermediation**<br>5.1 Promoting long term financing environment - Addressing a lack of long-term finance<br>5.2 Developing financing vehicles Private equity / project bonds<br>5.2.1 Addressing a lack of suitable investment vehicles<br>5.2.2 Addressing underdevelopment capital markets (includes venture capital)<br>5.2.3 Need for alternatives to bank credit/suitable financial instruments (includes securitization)<br>5.3 Tax incentives<br>**6. Mobilizing MDB Resources and Role of NDBs**<br>6.1 Country led MDB programs - Mobilizing MDB resources and role of NDBs<br>6.2 Technical assistance and experience sharing - Capacity building<br>6.3 Role of National Development Banks - Addressing need for balance sheet repair | **7. Enabling Appropriate Legal and Appropriate Settings**<br>7.1 Develop an adequate PPP framework – Boosting private participation in infrastructure<br>7.2 Stable and consistent regulation - Addressing legal & regulatory environment<br>7.3 Sustainable and clean energy - Promoting "green" investment<br>**8. Project Spectrum: Project Planning, Prioritization and Process Development**<br>8.1 Project identification and prioritization<br>8.1.1 Addressing bottlenecks and logistics problems / Lack of standardization<br>8.1.2 Project planning / Developing a suitable pipeline<br>8.2 Project preparation / Execution / Procurement and contract management<br>8.2.1 Need for coordination<br>8.2.2 Timeline for project approval<br>**9. Addressing Data Gaps**<br>9.1 Project availability<br>9.2 Sharing project information |
| **SMEs** | **10. Facilitating Financial Intermediation**<br>10.1 Movable collateral laws and registries<br>10.2 Insolvency regimes<br>10.3 Asset based instruments - Need for alternatives to bank credit / suitable financial instruments<br>10.4 Securitization<br>10.5 Banking sector competition - Addressing a lack of long term financing<br>10.6 Tax incentives<br>**11. Mobilizing MDB Resources and Role of NDBs**<br>11.1 Role of National Development Banks - Addressing need for balance sheet repair<br>11.2 Technical assistance and experience sharing - Capacity building | **12. Enabling Appropriate Legal and Institutional Settings**<br>12.1 Product development<br>12.2 Non-bank SME financing settings<br>12.2.1 Insufficient risk capital instruments and markets (includes venture capital)<br>12.2.2 Addressing legal & regulatory environment<br>12.3 Incentives to formality<br>**13. Addressing Data Gaps**<br>13.1 Information sharing (standardized data set) |

## I Evaluating Existing Legal and Institutional Settings for Infrastructure Investment

The following analysis from the Indonesia Ministry of Finance is based on the responses provided on the survey on evaluating existing legal and institutional settings for infrastructure investment.

### *i. High level planning/coordination*

*a) How do public sector agencies (across national public agencies and national-local public agencies) coordinate in their responsibility for planning to take account cross sectoral impacts and long-term national vision?*

*b) How do public sector agencies develop long-term integrated infrastructure strategies?*

*c) What are the important capacities of public sector agencies to involve in a high level coordination to take account the decisions and investments of others?*

*d) What are the most ideal conditions for public sector agencies to achieve effective-coordination among them? How do they reach that condition?*

a) Public infrastructures are generally owned by government at various levels: federal, state, or municipal. In some countries, coordination for infrastructure planning and development is the responsibility of multiple government agencies (such as Ministry of Communication and Transportation, Ministry of Defense, Ministry of Health, National Committee of Water, and Ministry of Public Works), while in others it is mandated to a certain ministry (e.g. Ministry of Economic Development). In few countries, a special agency was established to hold the coordination role.

b) Most responding countries have infrastructure development strategies as part of their national mid or long-term development plan. Only one country reported that it has a specific infrastructure development plan. A national development plan normally stretches from four to ten years and covers:

- Infrastructure investment targets along with specific programs to achieve the targets
- Comprehensive strategy for infrastructure development to increase productivity and economic growth.

c) Public sector agencies that are involved in high level coordination for infrastructure planning and development shall ideally have the following capacities:

- To secure political support to ensure proper implementation of the plan and its continuity.
- To secure an adequate regulatory framework for coordination
- To define clear objectives that enable the agencies to make prioritization and effective engagement across sectors and levels of government
- To harmonize priorities of different institutions or different levels of government
- To accumulate comprehensive knowledge of the condition of existing infrastructures and the need for new ones
- To build inventory of significant public infrastructure projects

d) Conditions that will support public sector agencies to achieve effective coordination, among others are:

- Existence of respect for jurisdiction and responsibilities of other agencies
- Availability of a high level coordination committee or forum

- Availability of reliable information sharing mechanism
- Streamlined bureaucracy

***ii. Understanding and influencing the regulatory environment and related legal frameworks***

*a) Please describe regulations and laws that are considered to have significant positive impact in attracting private sector to infrastructure investment.*

*b) Please describe regulations and laws that are considered to have significant negative impact (prevent) private sector to infrastructure investment.*

*c) Do current laws and regulations provide balance mechanism in meeting legitimate regulatory and legal objectives, while also leaving sufficient room for private investors to engage in their business activities? Please describe.*

*d) Please describe the ideal capacities or mechanism for regulator to build policy recommendation/regulation that accommodate business perspective?*

a) All responding countries claimed to have laws and regulations that give positive impact to attract private sector to infrastructure investment. Laws and regulations commonly considered to have such impact are ones on public-private partnership, structural reforms (e.g. tax reform, financial reform, energy reform, telecom reform), and the establishment of a high level coordination committee to ensure effective coordination across sectors in infrastructure planning and development.

b) Several countries admitted the existence of laws or regulations that have negative impact on the participation of private sector in infrastructure investment. Such laws and regulations include law on legal procedure to stop legal cases when litigation occurs, laws and regulations on environment protection, laws and regulations on pension investment, and regulations on land procurement. Some countries have identified these laws and regulations and have made necessary revisions.

c) Some countries had identified laws and regulations that had negative impact on the participation of private sector. They made revisions to the laws and regulations and claimed to have provided balance between legitimate regulatory objectives and provision of sufficient room for private sector engagement in infrastructure development. Some other countries are still devoting their best effort to create the balance.

d) Responding countries suggested that regulators shall include the following practices in the mechanism to build policy recommendation/regulations that accommodate business perspective:

- Transparent process, involving early public consultation with stakeholders*;*
- Transparent methodology for project assessment (cost-benefit analysis)*;*
- Publication of infrastructure investment strategy;
- Limited involvement of government at all levels to leave a stable and predictable regulatory regime for private sector investments;
- A stable long term plan for infrastructure development;
- certainty of rules about public procurement, permits, tariff definition, etc;

A specialized federal agency that would have all the responsibilities for developing legislation/regulatory acts and moving forward with practical implementation at project level;

***iii. Project development***

*a) Please describe business process of project development of infrastructure project pipelines in your country.*

*b) Does the creation of a pipeline of investment ready projects require such competencies including project design, appraisal, and procurement options/risk management? Please describe.*
*c) Does current process of project development succeed to attract private sector to invest in infrastructure? Please describe.*

*d) What are the capacity for public sector to prepare well-resourced infrastructure project development?*

*e) How the existing mechanism can ensure open, transparent, and competitive tender of the projects alongside well-documented tender process?*

*f) Do the existing mechanisms provide greater involvement by the private sector in the project life cycle? Please describe.*

a) Responding countries did not clearly explain business process to develop infrastructure project pipeline.

b) Some countries suggested that the following competencies shall be acquired to create a pipeline of investment ready projects:

- Project design;
- Feasibility studies;
- Public procurement and tender system, and a follow-up system
- Risk management
- Cost-Benefit Analysis guidelines;
- Convenience of PPP Scheme guidelines
- Economic analysis method (cost-benefit analysis);
- Risk transfer analysis, legal and financial analysis.

c) Most countries claimed that current process of project development succeeded to attract private sector to invest in infrastructure. One country, however, admitted that it has to improve the capacity to deliver good pre-feasibility study for PPP projects.

d) Countries had different approaches in obtaining capacity to prepare well-resourced infrastructure project *development. Some countries* have their public sector relied on private qualified consultants to develop necessary feasibility study for infrastructure projects. Others decided to establish a state-owned enterprise specializing in infrastructure financing.

e) Mechanisms that are commonly implemented by responding countries to ensure open, transparent, and competitive tender include:

- Electronic procurement system;
- A legal framework that provides a strong set of obligations, including publicity, competition, equal treatment, transparency, confidentiality to both public and private parties involved in competitive tenders;
- Website that can be accessed to tracks progress on projects implementation

f) Greater involvement by private sector in the project life cycle exists when infrastructure projects are developed under PPP scheme. Implementation of PPP scheme provides significant incentives (legal contract constraint, financial gains, etc) for high involvement by private sector.

***iv. Government support for net high public benefit infrastructure projects***

*a) Please describe current government support facilities to the net public benefit infrastructure projects (both financial and non-financial support). Are the facilities well-targeted?*

*b) How do you describe the most effective government support facilities to attract private sectors involvement in net benefit public infrastructure projects?*

*c) How the existing mechanism ensure close coordination of government support with activities that facilitate private investment?*

a) Most responding countries stated that financial and non-financial supports are provided to attract private sector participation in public-private partnership. Such supports come in the form of:

- Government guarantee fund
- Treasury investment guarantees
- Debt assumption commitments
- Government direct investment
- Investment subsidy
- Land transfer
- Operational subsidy
- Risk-sharing mechanism
- Exclusive competition
- Tax exemption
- Credit enhancement

b) Some responding countries outlined that government support through empowerment of PPPs, transparency and fairness in procurement process of goods and services areconsidered as the most effective government support facilities. In addition, financial and technical supports through government financial institutions are also mentioned as support for infrastructure development.

c) Few countries responded to the question. Responding countries mentioned about involving private sector in preparative work, rational risk sharing, and comprehensive contract management as important components in existing mechanism that ensure close coordination of government support with activities that facilitate private investment.

***v. Prioritization of infrastructure projects***

*a) Please describe projects prioritization process in your country. Are there any independent agency in accessing and prioritising project proposals?*

*b) How do you ensure transparancy process and decision making in project prioritization stage?*

*c) In what extent do the all stakeholders involve in in project prioritization stage?*

*d) What are the most important capacity for the unit that involve in in project prioritization stage?*

*e) Do the existing mechanisms provide effective coordination among key stakeholders (e.g. project development units and project support mechanisms). Are the mechanisms implemented?*

a) There are different practices for project prioritization process across responding countries. Most countries adopt centralized process by a certain ministry or a specially established high level agency., In a federal country, however, project prioritization process could be done by states or provinces.

No countries reported to have an agency that is fully independent from the government. Yet, such an agency is considered effective in delivering high level coordination among related agencies..Some countries implement good practices to promote objectivity of project prioritization process, such as:

- Documenting output of projectprioritization process as well as the prioritization criteria.
- Assigning independent experts to provide opinion on prioritization process.
- Forming a steering committe or aworking group to review the implementation of priority projects.

b) Most responding countries publicized information regarding the status of proposed projects in each stage i.e project planning, project approval, etc. No responding countries reported to have active public involvement in the prioritization process. One country adopt obligatory public audit to promote transparency in the process.

c) No responding countries claimed to have the involvement of stakeholders other than the government ministries or agencies in project prioritization process.

d) Responding countries proposed the following conditions should be met in project prioritization stage:

- Independent asessment
- Good methodology of prioritization
- Involvement of all stakeholders
- A well-defined, transparent, and clear objective

e) Many responding countries claimed that current mechanism has provided effective coordination mechanism among key stakeholders). One country established a forum on every large project to ensure that the coordination mechanism is working-well across related stakeholders). Another country, however, considered it important to promote active involvement from local authorities in the prioritization stages.

## II. Investment ecosystem

### *1. Supporting improvements in investment climate and promoting private investment*

*Preserving macroeconomic, financial and price stability*

28. Macroeconomic stability is a necessary requirement for long-term savings mobilization, sustainable credit expansion, and for overall financial deepening. Thus, a key challenge for policymakers is to maintain a policy mix that avoids or minimizes macroeconomic imbalances and financial sector vulnerabilities that can thwart the growth process and impede investment. As one jurisdiction notes in response to the survey questionnaire, a strong macroeconomic climate is critical to supporting investment because it reduces uncertainty and improves the ability of investors to make forward-looking decisions.

29. At a basic level, sound fiscal, macroeconomic, and monetary policies not only help to support a sustainable level of aggregate economic activity and to contain major internal and external balances, but also provide the economic backdrop needed to enable financial institutions to be profitable without taking on excessive risks, necessary conditions for the development of the financial sector and capital markets.

30. As indicated in the survey responses, numerous measures have been addressed to these and other challenges arising in the macroeconomic environment. Examples of strategies in this area include the following:

- The main pillars of the macroeconomic framework include a flexible exchange rate, an open capital account, an inflation-targeting independent central bank, and fiscal policy that is focused on transparency and medium-term sustainability. These macroeconomic pillars are supported by a robust financial system backed by an effective prudential regulator, which facilitates the efficient allocation of savings to investment opportunities.

- use of a combination of measures to support macroeconomic stability, including proactive fiscal and sound monetary policy, expediting fiscal spending and making full use of accumulated residual funds, and improving local debt management.

- recognition of the importance of a comprehensive solution to the problem of uncertainty is reflected in annual reviews and country-specific recommendations addressing needs for fiscal and structural reforms

- a strategy focusing initially on the need to bring macroeconomic imbalances under control and to reverse the slowdown, while also pushing for structural reforms in many areas that are critical for maintaining medium-term growth. A pro-growth structural reform agenda is also proposed elsewhere along with a commitment to macroeconomic stability.

- efforts to develop sustainable and predictable macroeconomic environment in the medium- to long-term period

- numerous efforts and implemented important reforms in the past several years in order to recover market confidence in a context of economic crisis and macroeconomic imbalances

31. Part of the effort to achieve a stable macroeconomic environment focuses on improving the stability and competitiveness of the financial system. Numerous members consider in this respect that the investment strategies need to be developed as part of a comprehensive approach which includes other essential elements which will make these strategies successful and contribute to sustainable and inclusive growth; amongst these elements, the following have been highlighted several times:

- the importance of fiscal responsibility/sustainability, which will also restore confidence, attract investors and free resources

- the importance of financial stability and sound prudential framework (which also includes the need for a right balance between the promotion of infrastructure financing and financial stability)

- The importance of promoting competitiveness

- The importance of structural reforms, and in particular labour reforms

- The need for increased productivity and related importance of skills, education, innovation

- The importance of an adequate business environment

32. The preservation of macroeconomic stability is also linked with an objective for maintaining price stability. Responsibility for the price stability objective and for monetary policy in most cases is vested in an independent central bank with a mandate that includes inflation-targeting. In some cases the central bank also has responsibility for managing exchange rate risks or maintaining its stability. Ensuring price stability is also a key requirement to enhance confidence of consumers and investors, and provide a more favorable environment for growth over the long run.

*Fiscal burdens, constraints, and soundness*

33. The importance of fiscal responsibility/sustainability has been cited by numerous jurisdictions as an important component of macroeconomic stability and as a necessary means of restoring confidence to attract private investors. Long-term fiscal sustainability is a core ingredient of an enabling environment for long-term investment, both public and private. Sound fiscal policies help to ensure sufficient public resources are on hand to boost investment and to provide other forms of support as need be. The need for fiscal discipline is especially important in jurisdictions in which infrastructure investment is mainly financed by the government and hence subject to budgetary restrictions. A challenge for many jurisdictions in the post-crisis environment is how to achieve increased public investment in infrastructure while respecting fiscal targets. Ensuring control over fiscal expenditures forms the core of many efforts in this regard, with responsible fiscal management and long-term fiscal sustainability seen as core components of the enabling environment for public and private investment. Reducing fiscal risks is essential to motivate economic agents to take idiosyncratic risks and it is essential to increase domestic savings.

*Enhancing efficiency of public expenditure/investment (includes cost-benefit analysis)*

34. Some measures related to fiscal sustainability aim at increasing efficiency, with a number of respondents commenting on the need to boost the efficiency of public expenditure or investments. Various reforms are proposed in this context to facilitate the selection of projects that deliver the best value for money and ensure the best use of public money. Reform targets include delays in execution, legal and procedural complexity, consistent use of cost-benefit analysis, and subjecting all large-scale projects to technical and price audit. Examples of specific measures include (see also box 2):

- develop the project appraisal guidelines to ensure a nationally consistent approach to the use of cost-benefit analysis

- addressing a low level of efficiency of public investment, in part related to a contractual framework that does not provide the right incentives, lack of competition, corruption, and limited use of cost-benefit analysis

- enhance the efficiency of public investment, including the investment of the natural monopolies, through obligatory public technical and price audit of all large-scale projects, even ones partially financed by the state

**Box 2. Example of country cost-benefit analysis**

**Cost-Benefit Analysis Guidelines**

The analysis must include, at least:

- ✓ Executive Summary
- ✓ Current situation
  - Supply and demand analysis
- ✓ Situation without the execution of the project.
  - Supply and demand analysis with the current infrastructure.
  - Alternative solutions
- ✓ Situation considering the execution of the project
  - Description of the project, including physical characteristics and main outputs
  - Alignment with the NDP and sector-specific national programmes
  - Total amount of investment, and sources of financing
  - Supply and demand analysis through the project's lifetime
- ✓ Project Evaluation
  - Social Cost-Benefit Assessment. Each project is evaluation in order to gage its net benefits for society. This evaluation considers direct and indirect costs, benefits and externalities, the next indicators must be caluculated:
    - **Net Present Value (NPV)**
    - **Internal Social Rate of Return (SRR)**
  - Relevance of the period in which the project will start:
    - **The Immediate Rate of Return (IRR)**[5]
- ✓ Risk Analysis
  - All risks associated with the project must be identified; quantified and concrete measures to mitigate those risks must be defined.
- ✓ Sensitivity Analysis
  - Analyse different stress scenarios and their impact over the main project evaluation indicators.

**Convenience of PPP Scheme Guidelines**

For PPPs an additional analysis of the convenience of the PPP scheme must be carried out, using the Value for Money methodology. A PPP project yields Value for Money if it results in a net positive benefit to society which is greater than that which could be achieve through a public investment procurement route.

[5] First Year Net Benefits/Cost of Investment determine the optimal time for the project to begin.

*Boosting productivity*

35. The need for increased productivity and the related importance of skills, education and innovation have been cited by many jurisdictions. Productivity growth is necessary to sustain long-term improvements in the standard of living. Uncovering ways to help achieve the necessary efficiency improvements – both within sectors and within firms – for productivity growth is a challenge faced by all jurisdictions, whether developing or more advanced.

36. Some efforts focus on improving the capacity of human resources via improvements in the education system, research, and the labor market, while others seek to maximize productivity improvement through investments in infrastructure, which seek to increase production capacity by stimulating private sector investments. This result requires that funding flows to projects that yield the highest net benefits. The question is how to achieve this shift. Examples of measures follow:

- improvements in the investment climate, which helps to mobilize capital, skills, technology and intermediate inputs, all of which helps firms to expand

- efficient financial markets help to channel resources to more productive uses and, through competitive pressure and the discipline imposed on firms by shareholders and creditors, induces firms to strive to improve their efficiency and allows inefficient ones to exit

- creation of a Programme, which aims to increase the productivity of investments by addressing excessive and disperse regulations, which hamper effective competition and prevent any economies of scale associated with operating in a larger market from being exploited

- improvements in corporate governance requirements to change corporate managers' mind-set and encourage them to make use of their abundant financial resources for productive investment

- Asset recycling, whereby existing infrastructure assets are privatized with the proceeds reinvested in new productivity-enhancing infrastructure

*Promoting "green" investment*

37. Efforts to promote private investment also include measures that target so-called "green" investments, which in many cases entail new technologies, new industries, and new business models. Some jurisdictions have a specific focus on facilitating green energy transition as a means of supporting green growth while others seek energy sustainability by building up capacity in renewable energies. Most jurisdictions with plans or active projects in this area have an energy focus, while a few make specific reference to SMEs in this context. Development banks, both national and multilateral, are expected to play a role in supporting the development of initiatives such as green energy. Examples of sustainable investment programs include the following:

- a "Program", which articulates public policies for the promotion of the renewable energies sector. Project financing is provided under a project finance scheme that is sustained by the capacity of the project to generate enough cash flows to repay the investment

- optimize energy structure and take important moves to deal with climate change, by implementing policies such as investment subsidies, preferential taxation, support of R&D inputs, government purchases, and special price supports

- reform the decision-making process for public investment projects to enable projects (development, modernization or renewal) that deliver the best value for money to be selected, thereby ensuring the best use of public money to benefit future growth. Facilitating the energy transition to support green growth will require a substantial amount of additional investment that will be supported by a wide range of instruments including carbon taxes, energy saving certificates, support mechanisms for renewable energies and a new energy transition fund.

- introduction of a renewable energy power generation facility and the use of LED lights in public facilities, as well as measures to contain $CO_2$ emissions of residents and buildings

- an Infrastructure Development Act, which sets out the mechanism through which developmental targets can be set for each major infrastructure project, covering areas such as youth employment targets, greening the economy, skills development and broad-based economic empowerment

- Establishment of a National Energy Efficiency Fund, which seeks to co-finance energy efficiency investments in the construction, transport, industry, services and agricultural sectors

***2. Facilitating financial intermediation***

38. All of the broad economy-wide policy measures discussed above need to be supported by other components of the policy framework, including appropriate regulation and supervision of relevant financial sectors and properly functioning corporate governance to limit the potential for excessive risk-taking. Against the backdrop of accumulated evidence showing that most episodes of financial distress of a systemic nature that have had significant negative effects on the real economy have stemmed from an overextension of risk-taking and expansion of balance sheets in good times, financial authorities face the fundamental challenge of trying to design and implement regulations that permit financial institutions and markets to take on and manage risks as intended, but not so much as to allow serious problems to develop.

39. The objective is to develop well-functioning financial systems, which are important for economic growth because they are integral to the provision of funding for capital accumulation and for facilitating the allocation of resources to best uses, in part through the diffusion of new technologies. Financial systems can also support economic growth by helping to finance increases in human capital accumulation.

40. Modern financial systems tend to provide a mix of both bank-based and capital market-based intermediation channels, giving borrowers a choice of "bank" credit or capital market financing, although national financial systems in practice tend to feature a dominance of one or the other channel. The imbalance may lead to efforts to seek better balance, but more generally, governments seek to support long-term investment by ensuring efficient market functioning, through adequate regulation and supervision, transparency from all actors along the investment chain, and an appropriate degree of financial consumer and investor protection.

41. More sophisticated financial markets have developed some vehicles to enable private investors to provide financing for infrastructure and other long-term investments, but the enabling environment is not yet firmly established in all jurisdictions. Key factors can include insufficient capital market development, lack of trusted legal frameworks, and the absence of an informed long-term investor base.

*Addressing the need for balance sheet repair / role of banks*

42. While a lot of attention has been focused on increasing the participation of institutional investors in long-term financing, commercial banks remain for many jurisdictions the dominant providers of credit

in general and have traditionally been a predominant source of funding for long-term investment projects. Hence, an important objective for many jurisdictions is to restore the normal functioning of the banking sector, even while they endeavor to further enhance the role of capital markets.

43. In some jurisdictions, especially those affected by the crisis, measures have been adopted to facilitate balance sheet repair or preserve the role of banks in credit extension. They include the provision of loan guarantees to domestic banks to encourage them to increase credit facilities for SMEs, investing in financial institutions and participating in the reorganization of financial institutions, and facilitating issuance of securities products such as covered bonds and allowing institutional investors to perform due diligence on products that match their asset diversification, return and duration needs, in part to help free up banks' balance sheets.

44. Structural reforms have also been introduced with a view towards supporting competitiveness and flexibility, and further repairing of households and companies' balance sheets, which will potentially increase growth through investment.

45. Other efforts focus on establishing conditions to encourage private banks to extend credit and fostering the participation of commercial banks in infrastructure financing. For example, banks in one jurisdiction are allowed to finance long-term projects with an option to refinance them periodically. Under the scheme, banks can, for example, lend for a 25 year project with an option to rollover the loan every five years.

*Mobilizing savings, financial education and inclusion*

46. As noted above, a lot of attention is being devoted in policy circles to expanding the role of institutional investors and capital markets in financing long-term investment projects. A necessary requirement for long-term investments on the part of institutional investors is a pool of long-term savings. Encouraging individuals to save enough for a long-enough period of time is a particular objective of ensuring adequate savings to finance retirement and many jurisdictions have adopted policies to promote long-term savings accumulation. Some segments of the population may encounter barriers to saving, which can include limited access to financial markets, lack of familiarity with complex financial products, and in some cases, limited knowledge and understanding of basic saving and investment concepts.

47. Given the importance of savings and investment by individuals for their own personal financial well-being and for economic growth, many jurisdictions have developed strategies to influence whether and how individuals save. Measures commonly adopted for these purposes involve a combination of prudential regulation of service providers and consumer protection rules, financial and tax incentives, and financial education and awareness initiatives. The latter measures include efforts to improve basic education levels, enhance labor force skills, and support financial inclusion. Reforming the education system, including research, as well as investing in human capital in an ambitious, stable and consistent way is seen as key to raise the long-term potential of the economy.

48. Some jurisdictions have taken steps to increase voluntary contributions to pension funds, consisting of payroll deductions, direct deposits to workers' bank accounts, direct debit payments of voluntary savings, provision of online payment arrangements, and the ability to make deposits in retail stores. Tax-free savings accounts have been developed in some cases, although for limited time periods. Examples of specific measures follow:

- A robust financial system backed by an effective prudential regulator helps to facilitate the efficient allocation of savings to investment opportunities. Measures adopted are directed at encouraging greater efficiency in financial markets, including by introducing competition between retail exchanges and reforming financial market supervision arrangements, and improving transparency and risk management in derivatives markets.

- The Tax-Free Savings Account (TFSA), a flexible, registered, general-purpose savings vehicle, enables residents aged 18 or older to earn tax-free investment income, including interest, dividends and capital gains. A wide range of investment options can be included, such as mutual funds, Guaranteed Investment Certificates, publicly traded shares and bonds. Contributions to a TFSA are not tax-deductible, but investment income earned in a TFSA and withdrawals from it are tax-free.

- Tax tools to encourage savings at the household level include, but are not limited to, tax-preferred savings accounts and retirement savings reforms. In order to boost domestic savings, retirement savings reforms over the past two years have aimed to encourage more people to save for retirement and to preserve their savings throughout their working lives. Changes to the taxation of contributions to retirement funds will provide additional relief to most retirement fund members and encourage them to save for retirement.

- Tax reductions for all, including workers, companies and families, through reforms of its overall fiscal framework, which reinforce discipline, control and transparency, with a number of actions including the introduction of a constitutional fiscal rule and a reform aimed at guaranteeing the long-term sustainability of the pension system

49. A number of jurisdictions seek to mobilize savings by targeting education, which includes general education as well as financial education. While only a handful of jurisdictions specifically cited the need for inclusiveness at the broad macro level, evidence is accumulating to suggest the relevance of the issue for many others. Various policies devoted to development of economic and social infrastructure are being undertaken to promote a more inclusive economy. Examples of measures focusing on financial inclusion and literacy include the following:

- Adoption of a national strategy for financial inclusion to expand access to finance and financial services, particularly for those at the bottom of the pyramid.

- establishment of a system of correspondents for the popular savings institutions

- expansion of the educational program for business, which has been provided to elementary, middle and high school students

- adoption of an inclusion-based model for growth with the priority of national policies regarding development of economic and social infrastructure aimed at seeking an inclusive growth, in the understanding that public investment has to go along side with, and enhance private investment

*Addressing a lack of suitable investment vehicles*

50. Another key issue in attracting private institutional funds for infrastructure is whether the necessary sources of financing are available at the required tenors and whether suitable credit enhancement instruments and risk mitigation products are available to support financing of long-term projects. Surveys suggest that many investors perceive a lack of appropriate financing vehicles. Although some collective investment schemes have been developed to attract such financing, concerns have been raised by institutional investors over perceived too-high fees, potential mismatches between asset life and fund vehicle, and the use of extensive leverage, which has become for some investors an impediment in the post-crisis environment.

51. The survey responses point to various measures targeted at the lack of suitable investment vehicles. Attention in some cases is focused on improving the basic legal and regulatory environment in order to support the development of financial instruments for the financing of long-term infrastructure

projects. A variety of such financing tools have been considered, including bank lending, corporate bonds, asset-backed securities, and venture investment funds. New financial instruments developed for these purposes include secured notes backed by bank loans to SMEs and long-term investment funds designed to bring together investors who want to put money into companies and projects for the long term with enterprises in need of 'patient' long term money. Some measures specifically target institutional investors. Examples follow:

- Development of a transparent, harmonized and accessible infrastructure asset class, with longer-duration instruments: infrastructure debentures have been introduced to promote private long-term financing of investments, by giving tax breaks (Income Tax and IOF) for capital market instruments, and creating sources of long-term funding that are viable alternatives to the national development bank

- Development of a range of highly efficient and flexible financing tools, including in addition to bank lending, corporate bonds, asset-backed securities, venture investment funds, non-financial corporate debt financing tool, stocks (main board market, SMEs market and start-up board market), insurance bonds plan, industrial investment fund, trust plans and financing leases

- a regulatory framework for Long-Term Investment Funds has been agreed, which when implemented, should help to bring together investors who want to put money into companies and projects (e.g. infrastructure projects) for the long term with enterprises in need of 'patient' long term money. The funds should have particular appeal to investors such as insurance companies or pension funds, which need steady income streams or long-term capital growth.

- the main banks, with the support of the central bank, have created the Euro Secured Notes Issuer, a vehicle which issues secured notes backed by bank loans to SMEs that meet the eligibility criteria for Eurosystem refinancing operations. These issues will provide a liquidity value to financing granted to SMEs and mid-tier companies and allow capital market participants to benefit from high-quality collateral. The financial instruments issued may be used as collateral between capital market participants and as a new investment asset class for investors.

- Introduction of Infrastructure Debt Funds, which aim at raising low-cost long-term resources for refinancing infrastructure projects

- Infrastructure Investment Trusts and Real Estate Investment Trusts, which are trust-based structures that maximize returns through efficient tax pass-through and improved governance structures

- reform of Capital Market Legislation in the past two years aimed at revising the related regulations to facilitate investments through diversified financial instruments, as well as provide better investor protection

*Addressing underdeveloped capital markets*

52. The problem of underdeveloped capital markets is a related factor to the lack of financing vehicles. Though often considered to primarily hamper the development of firms in emerging market economies, such constraints can also affect firms in more advanced economies, in particular, those with bank-dominated financial markets. The challenge of addressing underdeveloped capital markets has been cited by respondents from both groups of economies. In response, some governments have taken steps to develop the domestic corporate bond market and to improve the long-term resilience of funding markets. Other efforts are addressed at limitations in equity financing, including venture capital, constraints

worsened in some cases by the withdrawal of banks, which had been the dominant source of financing for long-term projects.

53. For instance, measures are being introduced to further develop the basic infrastructure for capital markets, including payments and settlements, and electronic trading platforms and systems through which securities denominated in the domestic currency can be traded in the international financial markets, thereby helping to provide depth and liquidity. Still other jurisdictions have concentrated recent efforts on regulatory reforms, by simplifying the processes involved in the public issue and offer of securities, particularly for equities and bonds, in order to encourage companies to raise funds from capital markets. Examples of other measures include:

- placing less emphasis on the role of the national development bank, including with regard to infrastructure, in order to crowd-in the private sector, in particular, through capital markets. The intention is to harness domestic and foreign savings to finance new infrastructure, especially economic infrastructure, such as ports, airports, clean energy and railroads.

- encourage and support institutional investors, including the national social security fund, to actively participate in capital market investment and expand the spectrum and scale of capital market investment, including fixed-income securities investment, equity investment and infrastructure investment in the open market

- strengthening the system of multi-layer capital markets, developing multi-level stock market, developing the bond market in accordance with regulations, and gradually promoting the development of the OTC market

- build the infrastructure for a cross-border bond platform, to offer a more reliable clearing and settlement arrangement for cross-border economic and trade exchanges and financial intermediation activities

- efforts to ensure that existing resources are efficiently deployed across the region, targeting clearly identified market gaps and avoiding crowding-out of commercial sources of finance, including by co-investment in bonds, credit enhancement and other instruments designed to develop capital markets-based financial instruments

- promotion of infrastructure funds and further promotion of the tax-exempt individual investment accounts, which should help channel abundant household assets to growth areas

- implementation of international electronic platforms and systems through which securities denominated in the domestic currency could be traded in the international financial markets, will help provide depth and liquidity

- enhancements to corporate governance regulation for listed companies in another jurisdiction will be enhanced to include mandatory implementation of several corporate governance principles and simplification of the processes involved in the public issue and offer of securities, particularly for equities and bonds, in order to encourage companies to raise funds from capital markets

- preferential allocation of stocks for public subscription to high yield funds which invest mainly in corporate bonds or unlisted stocks

### *3. Enabling appropriate legal and institutional settings*

54. Attention is often focused on a country's tax burden as one of the main factors affecting investment. But tax policy is not always the most important factor considered by potential investors when weighing investment decisions. Rather, questions over costs and risks associated with macroeconomic and business conditions, the costs of compliance with laws, regulations and administrative practices, labor-force conditions, and above all, profit opportunities in the specific location are also of critical importance.

55. What matters for investors are all the core market principles, including predictability, transparency, credibility, accountability and fairness. Other factors that can limit long-term investments may include the lack of robust rule of law and attractiveness of the regulatory environment. The quality of regulation is a major component of a successful climate for business and investment. When well-designed and enforced and sufficiently predictable, regulation contributes to investor confidence, while poorly designed or weakly applied regulation can retard business responsiveness to economic signals and drive resources away from productive investments, including by hampering entry into markets.

*Improvements in the general business climate*

56. In that context, governments often choose to adopt measures that help to create a supportive business environment, including by reducing administrative burdens and simplifying bureaucratic procedures to the extent feasible, increasing the quality of contract enforcement and the functioning of infrastructure partnerships where they exist, and preventing and fighting corruption in order to provide a good climate for private sector investment.

57. Measures identified in the survey responses include actions focused on ensuring responsible commercial activities and appropriate corporate governance, including various initiatives for pro-growth corporate decisions and for promoting constructive engagement with institutional investors. Other pro-growth reforms include reductions in the effective corporate tax rate to promote investment in facilities that would improve productivity, improvement of the tax system to contribute to the development of more favorable environment for cooperation of entrepreneurs and public agencies in the field of submission of tax accounts.

58. Additional measures include various structural reforms, such as labor, education, telecoms, antitrust, tax, and financial and energy reforms. A few jurisdictions have established special economic zones to create an appropriate business environment conducive to economic development in lesser developed regions. Other examples include:

- push for high-standard corporate activities and further develop an investment environment that can facilitate responsible commercial activities

- ensuring that investment activities strictly follow laws and regulations related to land and resources, environmental protection, safety production, and city plan, industrial policies and entry requirements

- speed up the transformation of government functions and vigorously push for various reforms focused on streamlining administration and delegating more power to lower level governments

- reviewing national and supra-national procedures and legislative frameworks with the aim of identifying possible actions to reduce administrative burdens and unlock investment potential for infrastructure projects

- Designating three special economic zones for selected states as part of efforts to create an appropriate business environment in these states

- Adoption of the National Business Initiative, which provides for several reforms aimed at improvement of the business environment framework, including: reduction of the quantity of indicators in all forms of reporting (annual, quarterly, and monthly) and in the time needed to complete the forms

- The Promotion and Protection on Investment Bill, which will enable a comprehensive and uniform legal framework to govern investments

- analyzing and resolving differences in business regulations across regions

*Boosting competition*

59. Effective competition is an essential component of a dynamic business environment in which firms are willing to take risks and invest. Empirical evidence suggests, in fact, that industries facing greater competition experience faster productivity growth, because competition allows more efficient firms to enter and gain market share at the expense of less efficient ones. By contrast, without the pressure of market entry, the incentive for firms to innovate and improve their efficiency is lessened.

60. Competition policy plays a central role in making markets contestable and hence in ensuring productive outcomes. And in that context many governments have taken steps to ensure an appropriate working of competitive market forces. But there can be exceptions. For instance, with infrastructure, there are elements of natural monopoly that make it more difficult to establish conditions for effective competition. And while many countries have made progress in dismantling barriers to entry in infrastructure sectors, including to foreign investors, the progress made has not been even and FDI restrictions continue to constrain foreign investment in infrastructure sectors in a number of jurisdictions.

61. Survey responses indicate that efforts to boost competition have covered a range of sectors and market segments. Some efforts have been directed at encouraging greater efficiency in financial markets, including by introducing competition between retail exchanges, or by potentially altering a ceiling on the percentage of voting shares that federally-regulated pension funds can hold. Other reform efforts are more comprehensive, addressing broad areas of competition policy, laws and institutions:

- major reform of the labor market seeks to reduce fragmentation, promoting open-end contracts, promoting active labor policies and reviewing the social safety nets

- increase the competitiveness of businesses and the buying power of consumer by lowering prices in the services sector

- lowering of entry barriers to facilitate the establishment of new activities or to level the playing field, such as by implementing a unified market access system.

- program to support exporters to mitigate financial restrictions on exporter companies with a focus on the ones dedicated to manufacture of industrial goods so they can sustain or increase their exports through strengthening sale conditions, quality of products, processes and access to markets

*Addressing restrictive legal & regulatory environment (includes FDI) / eliminating excessive "red tape"*

62. In addition to measures introduced to foster competition, governments are also taking steps to reduce administrative burdens and 'red tape'. Excessive 'red tape' adds to business costs and can impede

market entry, thereby lowering competitive pressures and reducing the incentive to innovate. Excessive regulatory and administrative burdens create an uncertain business environment that can disrupt business planning and hinder the ability of businesses to respond quickly to new market opportunities. Eventually, this tends to discourage new investment and weakens economic performance.

63. Many governments have ongoing programs to reduce regulatory burdens and streamline regulation, through systematic reviews of the stock of significant regulation with due consideration to costs and benefits, to ensure that regulations remain up to date, cost effective and consistent with the intended policy objective.

64. Many such efforts to address a restrictive legal and regulatory environment and eliminate excessive "red tape" seek to lower barriers to entry including by foreign investors (including FDI):

- achieve further opening up of service sectors, such as finance, education, culture and health care in an orderly manner, further suspending restrictions on general manufacturing, and allowing establishment of affiliates of medical corporations and expansion of related businesses of medical corporations

- cutting bureaucracy and easing regulations, including by introducing a one-in, one-out regulatory regime, which puts a cap on the total cost of regulations

- address internal market fragmentation for product and service markets and reduce business licensing requirements and other administrative burdens

## III. Infrastructure

65. While most previous actions apply to infrastructure, the survey allowed to identify the following specific measures.

### *4. Supporting improvements in investment climate*

*66. A favorable business and investment climate and the consistent and effective enforcement of the rule of law are essential for long-term investment. Such an environment should feature predictable, stable, transparent, fair and reliable business regulation and supervision and administrative and procurement procedures. In particular, policies also promote an effective framework for fair competition and sound corporate governance, and clear and reliable creditor rights and insolvency regimes.Addressing a need for coordination*

67. There is a broad need for coordination of infrastructure development across different levels of government. National investment strategies typically entail policy responses that cut across the remits of individual government departments or agencies. The degree of centralization will typically vary across countries, but some measure of coordination is usually required to avoid overlapping and sometimes conflicting rules, procedures and regulations, which can undermine investor confidence and limit investment. To ensure appropriate coordination investment strategies need to be linked to other strategies, such as those pertaining to environmental or social concerns. Investment strategies can be based at the national, regional, provincial, state or local level, but with some arrangements for coordination among the different levels.

68. Jurisdictions citing the need to develop proper coordination arrangements across agencies or different levels of government are not restricted to the ranks of federal government systems. For example, mechanisms have been established to coordinate discussions between government and the private sector on obstacles to private sector participation in infrastructure development. Nonetheless, many of the efforts to ensure coordination across levels of government have in fact been adopted by federal states. Some endeavor to ensure that strategic planning is coordinated, while others seek to ensure cross-sectoral coordination and an integrated approach to project implementation:

- efforts to ensure that policies adopted by local governments are aligned with central government policies through appropriate synchronization and harmonization of national and local regulations

- allocating funds for provincial, territorial and municipal infrastructure over 10 years to help finance the construction, rehabilitation and enhancement of infrastructure

- establishment of a council of governments to promote policy reforms of national significance or those which require coordinated action across government; Strategic plans are often agreed through the Council or its subordinate bodies, with each jurisdiction adopting its own tailored approach to implementation, a process which allows jurisdictional planning processes to take into account agreed national policy directions

- establishment of a Project Monitoring Group at the national level tracks all large projects, both public and private, in order to ensure cross-sectoral coordination and an integrated approach to project implementation

- establishment of an Interagency Working Group to deliver recommendations on how to promote awareness and understanding of innovative financing and increase effective public-private collaboration

- introduction of draft legislation to enhance the coordination systems between different levels of administration concerning urban development and infrastructure planning

*Promoting regional development (includes agriculture and rural development)*

69. Some of the efforts to promote long-term investment projects are intended to address unequal development across regions. Some measures are aimed at promoting development of agricultural and rural areas, while others are directed at improving the performance profile of economic cities or at ensuring sustainable urban development. Various types of infrastructure projects are identified for these purposes, including the usual categories of economic infrastructure (mass urban transport systems, sustainable housing, roads, water, energy, plus water and sewage and waste management). Examples include:

- creation of a fiduciary fund, the objective of which is to expand the supply of credit channeled to strategic and technological projects and to the regional economies by different mechanisms, including loans, capital contributions, lower interest rates and non-refundable contributions

- channeling of 70% of NDB loans to less developed regions, where traditional funding is limited and difficulties faced by business sector are higher than in the more advanced regions

- specific regional programmes that aim to respond to emerging infrastructure opportunities and address areas of disadvantage as the economy transitions away from resources led growth, including establishment of a National Stronger Regions Fund, which is targeting infrastructure projects that support local and regional development

- establishment of a federal Internal Trade Promotion Office to support ongoing work with provinces and territories businesses, workers, consumers and academia to explore opportunities to address internal trade barriers, including through regulatory cooperation activities

- adoption of preferential policies targeting certain regions, such as tax incentive policies; Agricultural Development Bank reform program, which requires the bank to increase supports to agricultural infrastructure, significant water conservancy projects and road construction in impoverished regions while continuously offering necessary credit to grain, cotton and edible oil purchases and storage

- streamlining organization and thus generating financial leeway, by halving the number of regions (from 22 to 13) and agreement on new region-national government contracts in order

70. Some regional development efforts focus on the creation of special economic zones, including for example:

- designation of National Strategic Special Zones to implement ambitious regulatory reforms with a view to strengthen the jurisdiction's competitiveness as a business hub and attract foreign enterprises and promote business start-ups. Specifically, these Special Zones would consider introducing (i) simplified and accelerated incorporation procedure, (ii) more convenient information services in English regarding financial administration, (iii) relaxation of bus-related regulations for improvement of airport access, and (iv) acceptance of the entrepreneurial people in National Strategic Special Zones as well as establishment of new scheme for accepting diverse foreign people.

- Establishment of three special economic zones for lesser developed states, with a view towards creating an appropriate business environment in these states for fostering their industrialization. The program includes actions to increase the quality of infrastructure, develop human capital and foster the establishment of enterprises in this region.

- plans to achieve balanced regional development, through regional networks that facilitate connectivity and trade (highways, railroads, transmission lines, gas ducts and aqueducts), and sustainable urban development by promoting a comprehensive infrastructure strategy (mass urban transport systems, sustainable housing, roads, water and sewage and waste management)

- achieving balanced development among the different regions, in part, by institutionalizing an incentive system needed to facilitate and promote such development as well as efforts to improve the performance profile of economic cities

- address shortcomings in economic infrastructure, including electricity constraints, which are driven in part by insufficient generating capacity and "local" distribution (infrastructure at the municipal or end-user level), and the need to close the water infrastructure gap via the construction of dams, water transfer schemes and irrigation schemes

- development of water treatment works and maintenance and upgrading of reticulation and sanitation infrastructure, aimed at ensuring there is sufficient water supply to enable economic growth and development as well as to expand access to water for both households and the mining, manufacturing and agricultural sectors, which are heavily reliant on water for production.

- establishment of a new Water Finance Centre, is being established, which will work closely with municipal and state governments, utilities, and private sector partners to use federal grants to attract more private capital into projects and promote models of public-private collaboration

- launch of the Rural Opportunity Investment Initiative, which will identify opportunities for investment in promising rural water, energy, and broadband projects, reduce barriers to investment, and connect projects with investors

***5. Facilitating financial intermediation***

71. Other approaches to promote long-term investment focus on facilitating alternative sources of infrastructure financing, which can include wider implementation of user charging; concessional government loans; phased grants/availability payments; targeted payments; and value capture. A variety of other financing tools can also be developed, such as bank lending, corporate bonds, asset-backed securities, venture investment funds, non-financial corporate debt financing tool, stocks, insurance bonds plan, industrial investment fund, trust plan and financing leases, private equity and project bonds. New innovative instruments for long-term investment in infrastructure include infrastructure debt funds, which seek to raise low-cost long-term resources for refinancing infrastructure projects.

72. Other financial vehicles have been developed to reduce infrastructure financing costs, such as guarantees, loans or subordinated loans, which could foster increased participation of institutional investors in infrastructure financing. Other measures targeting institutional investors would reform capital market regulation to improve the incentives for investment portfolio management to generate better investments and more efficient asset managers, simplify the regulatory framework for infrastructure financing vehicles to yield more flexible instruments, and extend the range of institutional investors that can invest in these vehicles.

73. Tax incentives have also been provided, as for example in the form of a preferential business income tax for projects related to public infrastructure construction, environmental protection, and energy and water conservation.

*Addressing bottlenecks and logistics problems*

74. Infrastructure bottlenecks have been cited by a number of respondents as affecting productivity, competitiveness and trade performance, imposing a major impediment for higher rates of growth. A common reference is to public transit infrastructure and other transport infrastructure. Examples include the creation of a single, systemized transport planning framework for all transportation modes and implementation of a federal program for development of the transport system, which involves an increase in the overall road construction rate, reduction of the transportation costs in the economy, enhanced accessibility of the transport services for the population, and higher external competitiveness of the national transport system, while ensuring proper safety and sustainability of the transport system:

- plans to introduce a new and innovative fund to promote public transit infrastructure investment, which will be established within the country's dedicated PPP unit, and will complement the Government's existing infrastructure support by providing significant long-term support for urban public transit projects

- establishment of a new Interagency Infrastructure Permitting Improvement Center (IIPIC) housed at the Department of Transportation

75. Elsewhere, some measures to boost productivity focus on addressing bottlenecks and logistics problems as a means of boosting competitiveness, along with strengthening domestic competition and lowering barriers to foreign direct investment:

- development of a more competitive logistics platform by upgrading the inter-connection of highway networks, ports, airports and cities, along with balanced regional development (highways, railroads, transmission lines, gas ducts and aqueducts) and sustainable urban development (mass urban transport systems, sustainable housing, roads, water and sewage and waste management)

- establishment of a fund to finance investment projects and working capital that lead to improvements in the competitiveness and productivity of goods and services in the regional economies

- establishment of a logistics investment program to facilitate improvements in total investments in port infrastructure through concessions, area leases and licensing of new private terminals

- adoption of the National Plan of Integrated Logistics, which will put together a single, systematized transport planning framework for all transportation modes to promote intermodal efficiency and synergies that are possibly lost in the current model, in which three different agencies (the Ministry of Transportation, the Secretariat for Civil Aviation and the Secretariat for Ports) develop separately their own logistic plans

*Addressing a lack of long-term finance*

76. Many respondents have sought to promote financing of long-term investments by addressing short-term investment horizons. The provision of long-term financing is deemed a core ingredient to boosting growth back to its long-run trend level. Impediments to this development can exist on both the demand and supply sides of the market, as reflected in increased risk aversion on the one side and bank

deleveraging on the other. In some cases, macroeconomic uncertainty has contributed to the tendency towards short horizons, but macroeconomic policies have begun to address this problem. Tax incentives have been given in some cases for capital market instruments, as a means of promoting private long-term financing of investments.

77. Some jurisdictions report efforts to take advantage of the long-term horizons of existing sources of long-term financing, namely sovereign wealth funds and assets of the funded pension pillar, while others have sought to de-emphasize reliance on national development banks. Various reforms have been introduced to encourage long-term financing, including new regulations regarding portfolio custody services, mutual funds, asset-backed and mortgage backed securities, covered bonds and mortgage financing companies. Other measures include:

- efforts to create a long-term focus in governments' infrastructure project prioritization and establish a national view on infrastructure priorities and policies

- ensuring that resource allocation decisions are driven by market incentives, based on the selection of the best investment projects, and by the use of the private equity of state-owned institutions

- efforts to support the collective growth objective, including through policies to improve the investment ecosystem, foster efficient infrastructure investment and support sound long term financing opportunities for businesses

- granting permission for banks to issue long-term bonds with a minimum maturity of seven years to raise resources for lending to (i) long-term projects in infrastructure sub-sectors, and (ii) affordable housing

- policy measures have been taken to encourage long-term investment financing, including through the introduction of new financial instruments, while measures for improving the banking system are designed to promote financial stability including through addressing several structural issues which would improve demand- and supply-side shortcomings in long-term investment and SME financing

*Insufficient risk capital instruments and markets (includes venture capital)*

78. Insufficient risk capital instruments and markets are a special example of limited long-term finance. This constraint can affect all firms to some extent but is seen most often as affecting the growth prospects of SMEs in general and the provision of funds to start-ups. Limitations in venture capital markets can themselves be a consequence of the inability to attract and sustain long-term investors. Numerous respondents cited the need to address this constraint. Their efforts include more efficient legal and tax rules, including providing equal tax treatment to banking and non-banking sources of debt finance, removing legal and fiscal barriers to issuance of corporate bonds by unlisted companies, and removing administrative obstacles to direct lending by non-banking institutions: insurance companies, credit funds and securitization vehicles.

79. Other measures include the introduction of a new fund to support venture capital and private equity markets, the introduction of new risk instruments, including long-term hedging vehicles, credit enhancement instruments, and structured finance:

- supporting the venture capital market, in this case, through more efficient legal and tax rules, which should help attract more resources for investment in innovative firms, for which access to traditional bank financing is often difficult

- measures to address the venture capital market's inability to consistently attract private investors, which has resulted in limited availability of venture capital financing for young, innovative, and high-growth firms that often lack both a credit history and the collateral needed to secure a loan at a financial institution

- adoption of measures to expand non-banking sources of debt financing and to promote equity investments, including the removal of legal and fiscal barriers to issuance of corporate bonds by unlisted companies (particularly SMEs), granting access to capital markets and enabling the solicitation of national and international institutional investors

- providing an equal tax treatment to banking and non-banking sources of debt finance (deductibility of interest rates and other costs related to the placement of securities) and on the removal of administrative obstacles to direct lending by non-banking institutions, such as insurance companies, credit funds and securitization vehicles

- strengthening financial and capital markets to promote the provision of risk money to growing businesses, including SMEs – a bill was approved which promotes the use of security based crowd-funding, aiming to provide risk money to new technologies and ideas

- efforts in the context of insufficient risk capital instruments seek to address a range of issues, including long-term hedging, credit enhancement instruments, structured finance, standardization and liquidity of capital markets instruments, development of secondary market, attraction of pension funds and insurance companies, reserve requirement exemptions, etc.

*Strengthening public investment*

80. Public investment is one means of overcoming some impediments to long-term investment activities and public sources of capital have been and will likely continue to be important in financing long-term projects. But the supply of fiscal resources is not unlimited and in some cases clearly not sufficient to address the estimated needs, which is one factor increasing the incentives to make use of private sector finance. Nonetheless, a number of survey respondents have been able to set aside resources to finance projects in priority areas. The areas cited tend to vary across jurisdictions, but economic and transport infrastructure are common, along with technology areas. Various initiatives have been initiated with a view towards mobilizing financing for projects identified in strategic planning. Financing will come from various sources, but sovereign wealth funds are a common source. Examples of measures include the following:

- adoption of an aggressive public investment program to compensate for the lack of private initiatives in the areas of energy, production and distribution, and transport

- providing substantial financial resources in financing projects read for execution in the priority areas of undergrounds, railways, roads, water infrastructure and airports

- provision of financing by the National Wealth Fund aimed at development of transportation facilities, and extension of energy supplies capacities

- targeting new technologies and communications, including through expanding access to a superfast and reliable broadband network

81. Though many of the investment programs are based at national level, a few of the projects being contemplated or financed are at the sub-national level. Examples include:

- allocating financing to economic land transport infrastructure priorities and freeing up funds at the state and local government level

- helping finance the construction, rehabilitation and enhancement of provincial, territorial and municipal infrastructure

82. Other categories of social infrastructure are also especially targeted in the public investment plans, including public facilities and correctional institutions.

***6. Mobilizing MDB resources and role of NDBs***

83. Multilateral development banks and national development banks play a crucial role in supporting infrastructure planning, development, and financing. They provide technical assistance and financing for a range of infrastructure projects, including in the areas of transportation, social infrastructure, services, energy and the environmental sector. Various forms of financial support are offered, including in the form of loans or credits, guarantees, etc., as part of their normal business practices or in some cases in accordance with specific regional development and reform priorities, both within national borders or in specific international regions. The activities of multilateral and regional development banks help to plug a sizable financing gap for infrastructure, thereby helping to support economic growth, employment and regional connectivity. National development banks also play a role in helping to diversify the domestic economy, boost its competitive edge and encourage investment activity.

84. Survey responses indicate that national development banks not only encourage investment activity in sectors and areas where development remains weak but also play an active role in stabilizing growth. Given their sound reputations and technical expertise, development banks are able to draw in private capital, operating in many cases with a sizable multiplier effect that boosts the available resources for infrastructure and sustainable development. Plans for development banks also call for their role in fostering the participation of commercial banks in infrastructure financing (mini-perm financing, mezzanine products), fostering infrastructure development by local governments, and helping to channel institutional investors' resources to infrastructure, including through their guarantee programs:

- generating financing for new infrastructure projects by optimizing their balance sheets, that is, by identifying existing credits that could be refinanced in order to increase available resources for new financing

- optimizing existing multilateral and regional development banks' resources through partnering in productive projects, which not only provides affordable financing but also delivers some additional benefits such as capacity improvement, good governance practices, and delivering value for money

- providing technical assistance and contributing to capacity building in various ways, including by helping national governments support knowledge transfer, including by supporting the establishment of a "knowledge hub" to support evidence-based implementation support for service delivery

- use of technical assistance loans or grants to conduct research on a country's significant strategies and reforms, such as the medium and long-term development program, the reform of the fiscal and tax system as well as medical care reforms

- requiring the national development bank to further improve the operation model of development finance; actively play an important role in stabilizing growth, adjusting structure and increasing supports to key industries and areas where development remains weak

### *7. Enabling appropriate legal and institutional settings*

85. Where appropriate, governments may choose to provide opportunities for private sector participation in long-term investment projects such as infrastructure and other relevant projects. From a design perspective, investment opportunities should enable the different parties to earn returns commensurate to the risks they take. Notable options include public procurement and public-private partnerships. For infrastructure investment, specific challenges in obtaining adequate financing may include the lack of robust rule of law and attractiveness of the regulatory environment. Infrastructure providers will tend to be reluctant to invest in the presence of regulatory uncertainty.

86. Private participation in infrastructure is made easier when governments implement appropriate institutional arrangements for improving regulatory predictability, including by entrusting regulation and price-setting to specialised authorities that are competent, well-resourced and shielded from undue influence by the parties to infrastructure contracts. Predictable frameworks can help ensure the flexibility needed for the success of long-term infrastructure contracts.

87. Many jurisdictions cite efforts in this context to establish a well-developed PPP framework. The efforts include:

- establishment of a dedicated PPP cell in the Department of Economic Affairs to serve as the Secretariat for structuring rollout and capacity building for PPP projects; the unit also oversees state government cells for PPP

- efforts to integrate PPPs into current Administration permitting reform efforts; standardizing the approach to PPP contracts to make arrangements more accessible for both project sponsors and investors; encouraging the consideration of PPPs as an alternative to conventional procurement for port infrastructure; and encouraging the consideration of PPPs as an alternative to conventional procurement for water infrastructure

- introduction of new legislative and executive acts defining competences of state agencies, selection criteria for project and the methodology for assessing their effectiveness and impact, as well as conditions for providing public support for projects structured as PPPs

### *8. Project spectrum: project planning, prioritization and process development*

88. For infrastructure investment, some factors that inhibit private sector participation relate to inadequate planning and limited capacity of governments to prepare and execute projects successfully. For example, surveys on the factors impeding the allocation of private sector financing to infrastructure projects and other long-term investments often cite a lack of clarity on investment opportunities available in the market, including a lack of transparency in the infrastructure sector, as a major contributing factor. In addition, the absence of a successful track record of related projects can also be an impediment.

89. These considerations are reflected in the steps many governments have taken to ensure openness and transparency in the procurement process and to strengthen infrastructure investment by improving the competitive environment, including through reforms of the administrative and court procedures for antitrust violations and the enforcement of cartel law. A well-designed procurement regime helps to ensure procedural fairness for all bidding investors and to minimize the risk of corruption, bidder collusion and bid-rigging.

90. Decisions on how much, where and what kind of infrastructure to build and maintain in order to meet socio-economic and sustainable development trends require adequate co-ordination across agencies and at all levels of government, including at the regional level, to identify infrastructure needs across sectors and prioritize projects in an integrated manner. This selection process is perhaps best achieved

through full cost-benefit analysis taking into account the entire project lifetime, all alternative modes of delivery, the full system of infrastructure provision, and the availability of finance to ensure value for money.

91. Survey results indicate a range of measures devoted at improving project planning and developing pipelines of suitable projects, including for example the following:

– for project proposals in the case of transport infrastructure, use of a strategic planning process that involves identifying goals, problems, and options, which are then assessed using detailed cost-benefit analysis

– development of a framework for procurement and cost benchmarking with a view towards reducing costs and improving the timeframe for delivery of projects

– formation of institutional mechanisms and governance frameworks for infrastructure project identification, procurement and monitoring committees, legal and regulatory frameworks, with all stake-holders, including potential investors, developers, and contractors, involved in robust consultations before bid documents are prepared

92. Survey responses suggest that there are also gains to be had from steps taken to build capacity for government officials, as well as measures intended to improve the predictability of policy and the efficiency of the use or resources. Strengthening the expertise of government officials is of particular importance in the case of public-private partnerships. But requisite skills and capacity are needed in all phases of project development, with dedicated teams for planning, appraisal, approval, and management one way of achieving success.

93. A number of jurisdictions have taken steps to improve the capacity of government officials. Procurement has been identified as one area requiring improved institutional capacity. Examples include:

– establishment of the Office of the Chief Procurement Officer, which is charged with, among other duties, managing and maintaining the regulatory environment relevant to government procurement practices and effectively managing government transversal contracts so that cost savings and socio-economic objectives are achieved

– adoption of plans to carry out customized education of government officials by external experts and if necessary will set up new organizations or recruit more talented individuals

– efforts to improve institutional capacity on the public side to increase the quality of the PPP process as a whole and to strengthen the coordination of PPP policies and practices and to set up an effective monitoring and evaluation system

– adoption of an investment plan which helps to identify the sectors and projects in which investment is critical for long-term growth and, notably, where investment requires public policy intervention to materialize

– establishment of a one-stop-shop for all questions regarding technical assistance, which will take the form of an investment advisory “Hub”, with three audiences in mind: project promoters, investors and public managing authorities

– facilitating priority infrastructure projects by the Committee for the Acceleration of Priority Infrastructure Provision, whose tasks include setting up strategies and policies in order to accelerate priority infrastructure provision, monitoring and controlling the implementation of these strategies and policies, and facilitating capacity building of apparatuses and institutional matters

- adoption of the Basic Plan for Life Extension of Infrastructure, which aims to maintain and improve the quality of infrastructure by establishing an infrastructure maintenance cycle, reducing and leveling total government expenditure for infrastructure, developing new technologies, and cultivating an infrastructure maintenance industry.

94. But many other efforts focus on developing a pipeline of bankable projects, in part to keep the market active and help attract investors. Some are developed under the PPP framework or under the framework of national or supra-national development plans.

*Timeline for project approval*

95. A few jurisdictions noted the need to remove impediments to private investment in infrastructure that derive from long lead times. Reducing timelines for obtaining permits and licenses are a common example. Among the efforts are the following:

- one-window operations for potential investors to facilitate and fast-track issuance of licenses, and to provide needed services in the shortest possible time

- proposal for an Interagency Infrastructure Permitting Improvement Centre to serve as clearinghouse for the sharing of best practices in permitting and reviewing across agencies, e.g. switching from consecutive reviews across several agencies to synchronized, simultaneous reviews in order to shorten project timelines

- modification of the regulatory framework on the approval phase to simplify procedures, set time limits and allow for substitute powers to intervene

- plans to introduce a "Competitive Dialogue Procedure" to reduce the duration of time consumed for project implementation by undertaking assessment and negotiation at the same time

- standardization and harmonization of projects in different sectors and employing different structures (e.g. PPP, concessions, etc.) as a means of addressing complex project structuring and preparation, which has been characterized as including a higher-risk construction phase, renegotiation risk, small-size projects, lack of standardization of project structures, lack of administrative/project management capacity, long lead times, and lack of cross-border standardization and harmonization of national technical standards

*Sub-national readiness*

96. For countries with a federal structure, investment planning and execution has to accommodate the different capacities that may exist below the federal level. These differences pose challenges that call for coordinated decision-making, as discussed above. Examples of measures include the following:

- introduction of reforms and an asset Recycling initiative to facilitate the sale of brownfield assets to generate financing for new greenfield projects, and also reform project selection and governance

- promoting greater participation of states and municipalities in infrastructure development

- addressing challenges related to a lack of state and local government readiness, in terms of insufficient flexibility in many jurisdictions' procurement statutes and limited financial expertise among procurement personnel, along with issues concerning coordination of decision making across state, country, and city government lines

***9. Addressing data gaps***

97. Insufficient data availability or quality has been cited as one of the key factors contributing to infrastructure financing gaps. The problems that have been identified include a lack of performance data for infrastructure assets, lack of standardized documents and methodologies, and inadequate transparency and accountability. Various measures have been introduced to address these shortcomings in data availability, including the creation of dedicated websites and other efforts to broaden the availability of infrastructure data. They include:

- development of a National Infrastructure Construction Schedule to provide certainty and transparency to infrastructure investors and constructors in relation to public infrastructure projects coming to the market; The web-based resource facilitates private sector engagement by promoting upcoming investment opportunities to both domestic and international investors

- ensuring periodic issuance of a report or a public announcement examining all key dimensions of investment for the benefit of the investor community

- reducing information barriers to accelerate investment in resilient energy infrastructure

- establishment of a new single window system to integrate all the foreign trade procedures so as to assure greater transparency, reduction of time and costs for exporters and importers, process simplification, optimization of infrastructure and logistics as well as greater involvement of SMEs in foreign trade

- adoption of plans to organize seminars regarding transparency and accountability, based in part on international best practices and the analysis of legal frameworks for procurement processes

98. The lack of standardization is another issue jurisdictions have sought to address. For example, among the steps take to improve standardization are measures aimed at standardizing bidding and contractual documents, harmonizing projects in different sectors and employing different structures (e.g. PPP, concessions, etc.), or standardizing concession contracts. Other measures include:

- consultation to develop a framework for simple, transparent and standardized securitization instruments, which would be able to receive a more risk-sensitive prudential treatment and would notably increase the transparency and consistency of key information for investors

- development of standardized legal documents and PPP procurement practices, in particular at sub-national level

- development of standardized documentation, accompanied by capacity building instruments like tool-kits and training programs, information dissemination and communication strategies, which has helped empower authorities to not only develop a pipeline of commercially viable PPP projects but also to implement the projects on the ground

**IV. SMEs**

99. The theoretical case for public intervention in the SME sector reflects the same factors that have been cited elsewhere in finance, namely, the existence of market failures, which arise most often from externalities, information asymmetries, or market power imbalances. The existence of market failures can cause financial markets to function improperly, in which case they may not allocate resources optimally, may not efficiently manage financial risk, and may be subject to other weaknesses, with potentially severe adverse economic consequences.

100. In the case of SMEs, sub-optimal resource allocation is the perceived problem one, as opposed to systemic concerns or market misconduct on the part of intermediaries, although the latter problems also arise. Resource allocation is said to be sub-optimal because small firms that could make productive use of funds are unable to obtain adequate finance from the formal financial system. This "gap" between the demand for and the supply of financing constitutes a structural market failure.

101. By contrast, if the financial system is functioning well in the theoretical sense, then small firms with viable business prospects will find a range of financing alternatives suitable to their needs at each stage of their life cycle. However, funding and growth prospects for small firms tend to worsen with increasing structural rigidities and distortions in the market. Various factors in the business operating environment or the broader financial system have the potential to foster development of the SME sector by facilitating investment or to hinder it by creating disincentives to entrepreneurship and investment, especially of risk capital.

102. In some cases, the problems SMEs confront may be symptomatic of larger structural problems that affect small firms in general, such as macroeconomic imbalances or impediments in the tax, legal, or regulatory frameworks. A fair, transparent, clear and predictable regulatory framework for investment is one of the core factors affecting investment decisions and their contribution to development. It is especially important for SMEs that tend more than larger firms to face particular challenges to entering, and adhering to the rules of, the formal economy.

103. In other cases, problems may be confined to particular subsets of the broader SME population. To determine the appropriate policy response authorities need to identify whether the origins of the problem lie in the characteristics of various market participants (including consumers), in the products and services on offer, or in the structure of the market.

***10. Facilitating financial intermediation***

*Promoting access to finance*

104. Many countries seemed to have determined that sufficient evidence of market failure in SME finance exists to warrant government intervention. Much of the attention is focused on SMEs' access to financing, or lack thereof. In this context, countries have adopted policies aimed at fostering entrepreneurship and removing barriers to the development of risk capital markets, the lack of which was believed to be a structural rigidity in many countries.

105. The survey responses suggest that most jurisdictions have introduced policies to support the SME sector. Among measures that focus on promoting access to finance are a range of measures that target credit. Some measures focus on expanding the supply of credit, while others focus on reducing the cost of credit. The specifics vary across jurisdictions, but there are many common elements. The use of guarantee funds or financing agencies is one example. Measures adopted or under consideration include the following:

- creation of a fiduciary fund with the objective to expand the supply of credit channeled to strategic and technological projects and to the regional economies; its support mechanisms include loans, capital contributions, lower interest rates and non-refundable contributions. Quality training, technical and economic assistance, support to entrepreneurship and strengthening of value chins are also used to promote access to finance for SMEs. A guarantee fund also provides support.

- Adoption of plans to amend the small business financing act to allow more small businesses to apply for financing under the program and to allow larger loans to be made available, thus expanding overall access to finance

- Expansion of eligibility criteria for SME support by doubling of the revenue limits criteria for SMEs and widening the qualified interval, so that more firms will be eligible for state and municipal support. These measures are of particular benefit to fast-growing SMEs.

- provision of tailored services to high-growth SMEs from the export credit agency, which is expanding its SME mentoring program for companies with high growth aspirations.

106. Other measures that have been introduced or proposed also benefit segments of the SME population. Micro enterprises benefit from some measures, while other measures focus on mid-caps, such as a clear framework for private placement transactions between mid-caps and a small number of institutional investors. Examples include:

- plans to expand direct financing channels for small and micro enterprises, loosening financing access standards for innovative and potential high-growth enterprises, and by developing a refinancing mechanism for listed small and micro enterprises

- creation of a micro credit program for micro enterprises, which is provided by banks to SMEs with viable but not yet bankable prospects. The program mainly targets SMEs involved in productive business sectors, including agriculture, fishery, industry, and forestry.

- program aimed at micro and small and medium enterprises, which focuses on supporting the purchase of new machinery, plant and equipment, through funding accompanied by public support in the form of a contribution on interest

- reduction in interest rates on loans, by which a Centre for the Development of industrial Technology seeks to foster access to finance partly in this way and partly through the creation of private equity funds

- Planned expansion of direct lending to SMEs, focusing on SMEs that lack experience in exporting or on high technology, which will also benefit from a lower loan interest rate

107. Other jurisdictions seek to improve access to finance by creating a favorable environment for SMEs. Examples of measures in this area include:

- the Ministry of Small Business Development will seek to address such issues as the lack of a favorable legal and regulatory environment, lack of access to markets and procurement and lack of access to finance and credit

- efforts are being directed at exploring ways to reduce fragmentation in financial markets, diversifying financing sources, strengthening cross-border capital flows and improving access to finance for businesses, particularly SMEs

- granting of tax exemptions to eligible SMEs, as well as a 50 per cent discount in health and social security fees, and the provision of housing loans and consumer credits for employees

*Need for alternatives to bank credit/suitable financial instruments (includes securitization)*

108. While improving SMEs' access to finance has been cited by most jurisdictions as a need to be addressed, not all SMEs are actually suitable candidates for credit. The exceptions include start-ups and fast-growing firms employing innovative technologies or business models. They need risk capital of some form or another. Various measures have been proposed to facilitate the provision of start-up capital and other forms of risk capital, including venture capital (see section III.5).

109. Some measures identified in the survey responses focus on start-ups, noting the challenge in making sufficient equity start-up capital available:

- generating a larger number of entrepreneurs through a Youth Credit Program, through which credits are provided to entrepreneurs between 18 and 30 years of age

- development of a specific education program for business,, which is provided to elementary, middle and high school students

- establishment of a technology bank to facilitate the transfer of technology from large firms to SMEs and start-up companies

- introduction of a new system to encourage angel investments, which also support SMEs in their early stages, by increasing professionalism in angel investments, making angel capital an institutionalized and trustworthy source of finance, and providing state support

110. Other jurisdictions focus on expanding non-bank sources of financing. The measures adopted include the following:

- removal of legal and fiscal barriers to issuance of corporate bonds by unlisted companies (particularly SMEs), granting access to capital markets, and enabling the solicitation of national and international institutional investors

- provision of an equal tax treatment to banking and non-banking sources of debt finance (deductibility of interest rates and other costs related to the placement of securities) and the removal of administrative obstacles to direct lending by non-banking institutions such as insurance companies, credit funds and securitization vehicles

- establishment of a Venture Business Creation Council, which consists of large companies willing to cooperate in supporting venture businesses, serving as a platform to develop business start-ups into concrete business, and strengthening financial and capital markets to promote the provision of risk money to growing businesses including SMEs

- introduction of regulations allowing for establishment on the exchange of an Emerging Companies Market, where the shares of SMEs are exclusively traded. The exchange also has created a new trading platform through which SMEs are able to obtain pre-IPO funds from qualified investors and angel investors.

- Provision of equity to business angels and other non-institutional investors for the financing of innovative companies in the form of co-investments, while a separate fund supports SMEs in their expansion plans through participative loans and equity

- Proposal to establish an electronic Trade Receivables Discounting System to facilitate financing of trade receivables of MSMEs from corporate and other buyers, through multiple financiers

***11. Mobilizing MDB resources and role of NDBs***

111. In addition to supporting the financing of infrastructure and related projects, development banks play a role in supporting the growth and development of SMEs. Some focus on providing support in particular sectors, such as renewable energy and energy efficiency, manufacturing industries, tourism, health and education sectors, while others participate in loan guarantee schemes or provide more general support, including through development of a wholesale lending model to advance funds to targeted SMEs in a standardized manner. A few examples follow:

- targeted support is provided to women entrepreneurs and women-owned businesses

- government intervention is directed at addressing market failures, such as when private returns are less than social returns or when there are asymmetric information problems, and public schemes have been introduced to address these identified market failures

- establishment of an Entrepreneur National Fund to foster productivity and innovation in micro, small and medium enterprises by providing grants to finance such enterprises, including for training programs, consulting services, quality certifications, product design, technology transfer, and equipment acquisition among others

- requiring major national development banks to strengthen their current programs to foster capital market development in order to foster new IPOs for SMEs.

***12. Enabling appropriate legal and institutional settings***

*Technical assistance / capacity building*

112. While many programs directed at the SME sector are financial in nature, governments have developed a range of other policy measures that focus on enabling an appropriate legal and institutional setting for SMEs. One such area includes technical assistance and capacity building measure, such as introducing improvements in the business environment, workforce training, and innovation to increase the participation of SMEs in international trade. Other examples include the following:

- Export Credit Agency support to SME customers by providing them with protection against a variety of risks with accounts receivable insurance, by fulfilling their need to access more working capital funding, and by facilitating access to foreign markets with market information and introductions to potential buyers

- Launch of an online self-service product that provides selective sales insurance coverage, primarily for the small end of the SME spectrum, in minutes.

- Use of an integrated management system, which will provide objective data related to support programs. Based on these data, it will be possible to comprehensively analyze the effect of support policies and conduct performance evaluation

- increasing the effectiveness of vocational training curricula, entrepreneurship training, and on-the-job training programs, which are regularly monitored to enable an impact assessment

- measures for networks of SMEs, including network contracts, which are voluntary agreements that allow companies to carry out jointly some activities, such as purchasing, R&D, and internationalization, while maintaining their legal subjectivity and autonomy

- issuance of permits for SMEs to provide legal certainty and a tool of empowerment for SME entrepreneurs in developing their business

- promotion of a Digital Financial Service (DFS) to lower the cost of transactions. The DFS is a payment system service conducted by third-party and web based media. Utilization of the DFs is expected to expand financial access and facilitate secured and affordable transaction payment

- development of the Growth Together Program, through which different government agencies have linked their programs, seeks to foster formality. To be registered in the program enterprises must fulfil their obligations relating to the payment of taxes.

*Competition / unfair business practices*

113. An important aspect of a favorable environment for SMEs is the nature of competition, especially insofar as policy measures are skewed in favor of larger companies. Various steps have been taken to ensure a fair and competitive environment, by seeking to eradicate unfair business conduct and practices between large firms and SMEs. Measures to this end include the following:

- enhancement of the reward system for whistle-blowing on unfair business conduct against sub-contractors, including unfair discounts, usurping technology and unfair cancellation of purchases

- competition reforms aimed at new regulatory frameworks to reduce bureaucratic costs, to facilitate access of SMEs to capital markets and establish a new facility to provide funding for SMEs engaged in exporting

- mitigating financial restrictions on exporter companies with a focus on the ones dedicated to manufacture of industrial goods so they can sustain or increase their exports through strengthening sale conditions, quality of products, processes and access to markets

- simplifying laws to help small businesses understand their rights and obligations; reforming competitive neutrality policy and reviewing regulatory restrictions, including standards, occupational licensing, and planning and zoning rules; strengthening the misuse of market power provision to improve its clarity, force and effectiveness so that it can be used to prevent unilateral conduct that substantially harms competition; and providing for better access to justice when disputes occur

- granting all market players the freedom to enter areas that are not prohibited, while another also seeks to lower barriers to entry, thereby facilitating the setting-up of new activities and risk-taking by entrepreneurs setting the stage for new investments

*Administrative burdens*

114. Various aspects of the business environment can have an impact on investment activity, including the costs of starting a business, costs to comply with administrative requirements, access to finance, quality of institutions (including the judicial system), the public procurement regime, protection of property rights, costs of contract enforcement, availability of skilled labor, labor market flexibility, regulatory environment, insolvency and pre-insolvency regulations, etc.

115. Efforts to improve the business climate for SMEs are targeted at excessive administrative burdens, via reforms aimed at reducing red tape and administrative burdens that hamper the creation of risk-capital vehicles. Examples include:

- enactment of the Law on Market Unity with the aim of addressing internal market fragmentation for product and service markets and reducing business licensing requirements and other administrative burdens in the creation of companies, as well as improving the single-stop shop system that provides services linked to the birth, development and death of enterprises

- measures aimed at cutting red-tape, improving the quality of social dialogue, and streamlining local governments' organization to help companies become more competitive and, thereby, trigger private investment

- reducing the regulatory burden on firms with a small market power and toughening the criteria for anti-monopoly inspections

- efforts to streamline the regulatory regime and reduce compliance costs and facilitate access to equity finance will cover: the turnover tax regime for micro businesses, small business corporation tax relief; venture capital company regime, and the tax treatment of grants

*Promoting R&D, innovation and business start-ups*

116. A wide range of measures intended to help support the SME sector are focused on promoting R&D, innovation and business start-ups. They include:

- different lines of credit put forward by the Investment and Foreign Trade Bank in order to foster investment by companies, focused on: financing the acquisition of capital goods, and financing investment projects in goods and services; investment projects in renewable energies (as detailed below in infrastructure section) to attend the increasing demand of the productive sector; financing projects with potential of improving the competitiveness of producers through technological modernization and innovation of processes or products;

- establishment of fiscal science and technology funds to promote the flow of resources to public science and technological activities for which the market mechanism is not effective

117. A number of jurisdictions use tax incentives to promote innovation and R&D:

- promotion of innovation through tax incentives, dedicated measures targeting promising industries and fostering an innovation friendly ecosystem involving synergies between research centers, enterprises, and teaching institutions and the efficient transfer of publicly produced R&D results to private companies

- targeted measures are also being designed and implemented so as to foster investment in specific sectors where market failures exist, notably the R&D and innovation sectors, the ecological transition activities, and the housing market

- use of a tax credit to support R&D, which allows support for the hiring of highly qualified researchers and off-site research that is carried out in collaboration with universities, research centers and with other companies, accompanied by a particularly favorable tax regime, for both SMEs and large national and multinational companies, on the income deriving from the exploitation of patents and trademarks and intellectual property

- support for SMEs by structures to help in forming clusters among groups of SMEs and also with larger enterprises, universities and research centers

- efforts to scale down the top-down approach and scale up the bottom-up approach in R&D investment funded by the government

- introduction of competition in selecting research institutions for R&D projects, whereby institutions who wish to participate in R&D investment will be allowed to undertake studies on the project and then the best institution will be selected as a winner through the interim assessment

- creation of a national research agency to increase the efficiency of public resources on R&D and Innovation

*Movable collateral laws and registries*

118. Access to finance for SMEs can be inhibited in some cases by limitations regarding collateral and lack of information as to their credit history. Some jurisdictions have taken steps to address these shortcomings via reforms of movable collateral laws and the introduction of credit registries. Examples include:

- various credit lines intended for SMEs, including the line of investment financing for SMEs and cooperatives, which is targeted at investment projects and the purchase of new movable capital goods, either subject to registration or not, within a framework that favors investments intended for different economic activities in the sector of goods production and service provision

- promulgation of the Measures for Movable Property Mortgage Registration, which stipulates that enterprises, individual businesses and agricultural production operators should register with local county-level industrial and commercial authorities if they want to mortgage their production equipment, raw materials, semi-finished products and products possessed or to be possessed by them

- preparation of an appropriate legal structure is being prepared through which movable assets can be effectively used as collateral, which should significantly improve access to finance

*Insolvency regimes*

119. As indicated previously, insolvency and pre-insolvency regulations are another factor that can have an impact on investment activity and a few jurisdictions specifically note measures taken to improve their insolvency regimes. Among the measures identified are the following:

- consideration of the development of an entrepreneur friendly legal bankruptcy framework for SMEs to enable and easy exit

- improvements in regulations for commercial bankruptcy as part of structural reforms

- plans to encourage restarting businesses by reducing the repayment burden of the loans of failed businesses

*Tax incentives*

120. Tax incentives have been discussed above in the context of measures to promote R&D and innovation and other specific activities. In addition to these efforts are specific measures addressed at business income taxation more generally, as a means of improving the general business environment. Examples include:

- reducing the tax rate for small businesses from the current 11 per cent to 9 per cent by 2019, in phased increments of 0.5 per cent

- altering the VAT and business tax to further increase tax supports to small and micro enterprises

- allowing tax holidays for SMEs, whereby the regions have been given the right to reduce tax rates for SME taxpayers using simplified and patent tax systems to 0 per cent for a two-year period. The tax exemption will apply to new SMEs engaged in manufacturing services and research.

- Introduction of tax relief for small businesses through a section of the Income Tax Act which was specifically created to encourage new business ventures to create jobs

- Provision of more tariff reduction, from 30 per cent to 50 per cent, for SMEs' procurement of automated manufacturing facilities, along with the R&D tax credit for SMEs in early stages of development

***13. Addressing data gaps***

121. SMEs can be plagued by various forms of data gaps, both concerning their own prospects and as regards the business environment in which they are competing. A number of measures have been introduced to address these impediments, including:

- creation of a national SMEs information website

- taking steps to have the information derived from the different national development banks incorporated in credit bureaus

- a committee comprising the credit providers association as project leader, and other industry players in credit provisioning, are currently working on establishing a small enterprise credit information service which is envisaged to collect, maintain and share credit information on SME's

- use of various media such as online, mobile and single window to share information with SMEs

- introduction of a requirement by which credit institutions must notify an SME three months in advance when the latter's credit line is being cancelled or significantly reduced; SMEs are also entitled to receive free of charge "SME-credit information" when their credit line is being cancelled or significantly reduced, which includes the credit history of the SME.

**ANNEX 1**

**Table 1. Selected thematic information by clusters**

| Country | Argentina | Australia | Brazil | Canada | China | EU | France | Germany | India | Indonesia | Italy | Japan | Korea | Mexico | Russia | Saudi Arabia | South Africa | Spain | Turkey | United Kingdom | United States |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Overall Investment Strategies** | | | | | | | | | | | | | | | | | | | | | |
| National Infrastructure Initiatives | | X | | X | X | | | | | | X | | X | X | | | X | X | X | X | X |
| Macroeconomic stability | | X | X | X | | | | | X | | X | | | X | X | | | | | X | |
| Reforms to reduce the transport infrastructure gap | | X | | | | | | | | | X | | | X | X | | X | X | | | |
| Regulated financial sector | | | | X | | | | X | | | X | | | | X | | | X | | X | X |
| Stronger venture capital market | | | | X | | | | X | | | | | | | | X | | X | | | X |
| Promote financial inclusion | | | | | | | | | | X | | | | X | | | | | | | |
| Infrastructure investments | X | | | X | X | | X | X | | | X | | | | X | | X | | | X | |
| Incentives for investment | X | | | | | X | | X | | X | X | X | X | X | X | | | | | | |
| Sustainable and balanced growth | | | | | | X | | X | | | X | X | | X | | | X | | | | X |
| Strengthening physical connectivity | | | | | | X | | | | X | | | | X | | | | | | | |
| Enhancing technical assistance at all project stages | | | | | | X | | | | | | | | | | | | | | | |
| Support to SMEs | | X | | | | | X | | | X | X | | X | X | X | | | | | X | X |
| Improve business environment | | | X | | | X | | | | | X | | | X | X | X | | | | | |
| Enhancing competition in the service sector | | | | | | X | X | | | | X | | | X | | | | | | | |
| New industries and new business models | | | | | X | | | | | | | | | | | X | X | | | | |
| Employment friendly fiscal policy | | | | | | | X | | | | X | | | X | | | | | | X | |
| Public companies efficiency | | | | | | | | | | | X | | | | X | | | | | | |

| Country | Argentina | Australia | Brazil | Canada | China | EU | France | Germany | India | Indonesia | Italy | Japan | Korea | Mexico | Russia | Saudi Arabia | South Africa | Spain | Turkey | United Kingdom | United States |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Investment Ecosystem** | | | | | | | | | | | | | | | | | | | | | |
| R&D and innovation | X | | | | X | | X | X | | | X | | X | | | | | X | | | |
| Improve Competition policy | X | X | | X | X | | X | X | | | X | | X | X | X | | | X | X | | |
| Promoting role of capital markets and II | | | X | X | | X | | | | | X | X | | X | X | | | | X | | X |
| Fostering logistics services | | | X | | | | | | | | | | X | | | X | | | | | |
| “Made In” | | | | | | | | | X | | X | | | | | | | | | | |
| Facilitate FDI | | | X | X | X | | | | | X | X | | | | | X | | X | X | | |
| Corporate governance | | | | | X | | | | | | | X | | | | | | | X | | |
| One stop service for investment projects | | | | | | X | | | | | | X | X | | | X | | | | | X |
| Boost investment in specific geographical areas | X | X | | | | | | | | | | X | | X | | X | | | X | X | |
| Anti-corruption policies | | | | | | | | | | X | X | | | X | | | | | | | |
| Simplification, decrease regulatory burdens and increase efficiency | | X | | X | | | X | X | | X | X | X | | | X | X | | | X | X | |
| Stabilizing capital flows | | | | | | | | | X | | | | | | | | | | | | |
| Public spending review | | | X | | | | | | | | X | | X | X | X | | | X | X | | |
| Encourage domestic savings | | | | X | | | | | | | | X | | X | | | | | X | | |
| Encourage banks to extend credit | | | | | | | | | | | | | | X | | | | | | | |
| Promote financial inclusion | | | | | | | | | | X | | | | X | X | | | | X | | |
| Activate corporate and project bond markets | | | | | | | | | | | X | | | X | X | | | | | | |

| Country | Argentina | Australia | Brazil | Canada | China | EU | France | Germany | India | Indonesia | Italy | Japan | Korea | Mexico | Russia | Saudi Arabia | South Africa | Spain | Turkey | United Kingdom | United States |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Infrastructure** | | | | | | | | | | | | | | | | | | | | | |
| Increase public investment in infrastructure and Investment plans | X | X | X | X | X | X | X | X | X | X | X | | X | X | X | X | | X | X | | |
| Big projects | | | X | | | | X | | | | | | | X | X | X | | | X | | |
| Support to capital market financing and new instruments | | | | | X | X | | | | X | X | | X | | | | | | X | X | |
| Pipeline of projects | | X | X | | | X | X | | | | X | | | X | | | | | | | |
| Digitalisation | | | | | | X | X | | | | X | | | | X | | | | | | |
| Reform of procurement code and review of public investment | | | | | | | | | | | X | X | | | X | | | | | | |
| Infrastructure investment to improve resilience to disasters | | | | | | | | | | | | X | | | | | | | | | |
| Minimum investment in infrastructure | X | | | | | | | | | | | | | | | | | | | | |
| Expanding support to PPP | | | | X | X | | X | | | X | X | | X | | | | | | | | |
| Tax breaks for capital market instruments | | | X | | | | | | | | X | | | | | | | | | | |
| Cost benefit analysis | | X | | | | X | X | | | | | | | | X | | | | | | |
| New instruments, including to foster role of II in infrastructure | | | | | X | X | | | | | | | X | X | | | | | X | X | |
| New and expanded public funds and increase role with private sector | X | | | X | X | X | | | | | X | | X | X | X | X | | | | X | |
| Tax incentives | | X | X | X | X | | X | | | X | X | | X | | | | | | | | |
| Reduce financial costs of PPPs | | | | | | | | | | X | | | | X | | | | | | | |
| New role for MDB and NPB | | | X | | X | X | X | X | | | X | | X | X | X | | | X | | | |
| New structures | | | | | X | | | | | | | | | | X | | | | | | |
| Optimise NDB balance sheets | | | | | | | | | | | | | | | | | | | | | |
| PPP model/framework/toolkit/guidelines | | X | | | X | | | X | | | X | | X | X | X | | | | X | X | X |
| Increase PPP use | | X | | | | | | | X | | | X | | | | | | | | | |
| Dedicated unit | | | | X | X | | X | | X | | X | | | | X | | | | | X | |
| Standardisation PPP contracts | | | | | | | | | | | X | | | | | | | | | | X |
| Improving feasibility study and assessment | | | | | X | | | | X | | X | | X | | | | | | | | |
| Reduce administrative burdens | | X | X | | | X | | | | | X | | | | X | | | | | | |
| Project Pipeline | | | | | | X | X | | | | | | | X | | | | | | | |
| Standardisation and harmonisation of projects | | X | | | | X | | | | | | | | | | | | | | | |
| Fast Track | | | | | | | | | | | | | X | | | | | | | | |
| Self-assessment of project spectrum | | | | | | | | | | | | | | X | | | | | | | |
| Regulatory reforms | | | X | | X | | | | | | X | | | | | | | | | | X |

| Country | Argentina | Australia | Brazil | Canada | China | EU | France | Germany | India | Indonesia | Italy | Japan | Korea | Mexico | Russia | Saudi Arabia | South Africa | Spain | Turkey | United Kingdom | United States |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **SME** | | | | | | | | | | | | | | | | | | | | | |
| Tax incentives | | X | | X | X | | | | | | X | | X | | X | | | | | X | |
| Reducing administrative barriers | | X | X | | | | X | | | | X | | | | X | X | | X | | | |
| Role of public funds | X | | | | X | X | | X | X | | X | | | | X | X | | | | X | |
| Stock markets | | | | | X | | | | | | X | | | | | | | | X | | X |
| Strengthen venture capital market, especially for start- up etc. | | | | X | X | | | X | X | | | X | X | | | X | | X | X | | |
| Promoting financial inclusion | | | | | | | | | | X | | X | | X | | | | | | | |
| New agency credit guarantees | | | | | | | | | | | | | | | X | | | | | | |
| Facilitating bankruptcy resolutions and restructure corporate debt | | | | | | | | | | | X | | X | | | X | | X | | | |
| Diversifying financial sources | | | | | X | | | | | | X | | | | | | | X | | | |
| Facilitating of SME debt and equity finance | | | | | | | X | | | | X | | | | X | | | X | X | | |
| Role of II including in lending | | | | | | | X | | | | | | | | | | | | | | |
| Regulation of crowd funding implemented or considered | | X | | | X | | X | | | | X | X | X | | | | | X | | | |
| Specific policies | | X | | | | | | | | | X | X | | | | | | | | | |
| Dedicated programs | X | | | X | | | | | | X | X | | X | | | | | | | | |
| Addressing unfair practices between large firms and SMEs | | | | | | | X | | | | | | X | | | | | | | | |
| Promoting restart business | | | | | | | | | | | | | X | | | | | X | | | |
| Reduce informality | X | | | | | | | | | X | | | | X | | | | | | | |
| Improving Credit information | | | | | X | | | X | | | | | | X | | | | X | | X | |
| Movable | | | | | X | | | | X | | | | | | | | | | X | | |

**ANNEX 2**

| SELECTED THEMATIC INFORMATION BY CLUSTERS | | |
|---|---|---|
| INVESTMENT ECOSYSTEM: FACILITATORS – 1. Supporting Improvements in Investment Climate and Promoting Private Investment | | |
| Theme | Sub theme | Countries |
| R&D and innovation | German smart service world and R&D quota as a percentage of GDP.<br>Scale up the bottom up approach in R&D investment funded by the Korean government, co-fund " smart plants"., foster Fintech industry.<br>Tax incentives and R&D clusters in France, "new industrial France" and "invest for the future" programs. China R&D programme. Work Plan for Science and Technology and technological Antenna in Argentina. Italy's National Research Program an tax incentives for companies and R&D. | Germany, Korea, France, China, Turkey, Spain, Argentina, Italy |
| Improve Competition policy | | Italy, Korea, France, Canada, Mexico, China, Australia, Russia, Germany, Turkey, Spain |
| Promoting role of capital markets and II | | Turkey, Mexico, Canada, Brazil, EU, USA, Japan, Italy |
| Fostering logistics services | | Korea, Brazil, Saudi Arabia |
| "Made In" | | India, Italy |
| Facilitate FDI | | Brazil, Canada, Indonesia, China, Turkey, Saudi Arabia Spain, Italy |
| Corporate governance | | Japan, Turkey, China |
| One stop service for investment projects | Create the Build America Transportation Investment Centre.<br>Establish a one-stop window for foreign entities to start up a business. | Korea, EU, USA, Japan, Saudi Arabia |
| Boost investment in specific geographical areas | Boost investment in less developed regions.<br>Regulatory reforms in National Strategic Special Zones.<br>North Sea taxation in the United Kingdom | Mexico, Argentina, Japan, Australia, Turkey, Saudi Arabia, United Kingdom |
| Anti-corruption policies | Strengthen or creation of National Anti-corruption Authorities. | Italy, Mexico, Indonesia |
| Simplification, decrease regulatory burdens and increase efficiency | Simplifying Federal Pension Fund Investment in Canada.<br>"One in one out" principles in Germany and Korea, which also will relax regulation that undermine investment and job creation.<br>Councils for business simplifications and improvements of investment environment.<br>German bureaucracy relief act, | Canada, Korea, Germany, France, Indonesia, Japan, Turkey, Russia, Australia, China, Saudi Arabia, United Kingdom, Italy |

| | | |
|---|---|---|
| | streamlining investment license in Indonesia.<br>Reduce regulatory uncertainty in Japan and regulatory burden in Russia.<br>Deregulation policy to reduce red tape and complicance costs for SMEs in Australia<br>Increase reliance on market mechanism regulation in China<br>Simplify tax system (Office of Tax Simplification) and incentivise investment through it (Annual Investment Allowance) in the United kingdom. Also One-In-Two-Out and Red Tape Challenge programmes to reduce regulatory burden.<br>Italy's simplification agenda 2015/2017) | |
| Stabilising capital flows | | Indonesia |
| Public spending review | Rationalisation and public spending review.<br>Consolidation efforts | Korea, Mexico, Turkey, Italy Spain |

| INVESTMENT ECOSYSTEM: FACILITATORS –<br>2. Facilitating Financial Intermediation | | |
|---|---|---|
| Theme | Sub theme | Countries |
| Encourage domestic savings | Increase the Tax-Free Saving Account Annual Contribution Limit in Canada as well as voluntary savings for pension funds in Mexico. NISA (tax excempt individual investment accounts) and Junior NISA in Japan. | Canada, Mexico, Turkey, Japan |
| Encourage banks to extend credit | | Mexico |
| Promote financial inclusion | | Indonesia, Mexico, Turkey, Russia |
| Activate corporate and project bond markets | | Korea, Mexico, Italy |

| INVESTMENT ECOSYSTEM: SAFEGUARDS –<br>3. Enabling Appropriate legal and Institutional Setting | | |
|---|---|---|
| Theme | Sub theme | Countries |
| Rule of Law and Public Governance | Rule of Law and Public Administration.<br>Investment Bill. | China, South Africa |
| Preconditions for Long-Term Investment | Prerequisites for Long-term Investments. | China |
| Governance and Incentives of Financial Intermediaries | Governance and Stimulation of Financial Intermediation. | China |
| Adequate Regulatory Framework | Investing in policies that increase productivity, foster entrepreneurship, strengthen domestic competition, and lower barriers to foreign direct investment.<br>Cutting bureaucracy.<br>National strategy for financial inclusion.<br>Implementation of the Financial Reform.<br>Simplify mechanisms to increase voluntary savings for pension funds.<br>Improvement of business environment framework, including improvement of tax administration.<br>Boost investment of Private Equity Funds.<br>Establishing support framework to resolve challenges of private.<br>Increasing tax incentives.<br>Analyze differences in business regulations and their enforcement across regions.<br>Law on Entrepreneurship and Internationalization.<br>Labor Reform.<br>New Capital Markets Law<br>Structural Reform to increase efficiency in fiscal policy | Canada, Germany, Indonesia, Mexico, Russia, South Korea, Spain, Turkey, Argentina, Brazil, Italy |
| Responsible Business Conduct | Responsible Commercial Activities | China |

| INFRASTRUCTURE: FACILITATORS – 4. Supporting Improvements in Investment Climate | | |
|---|---|---|
| Theme | Sub theme | Countries |
| Increase public investment in infrastructure and Investment plans | Multiyear investment plans (New building Canada Plan, EC investment plan and the European Fund for Strategic Investments (EFSI), National Infrastructure Program, Growth Acceleration programme, 15-year infrastructure plan and national infrastructure construction schedule, and National investment strategy).<br>Multi-year Planning Document, which is the tool to coordinate investment programmes in Italy.<br>Committee for the acceleration of priority infrastructure provision in Indonesia.<br>Transport investment program in Russia<br>Increase public investment in specific sectors (transport infrastructure, railways, roads, airports, logistics, ports, connectivity and energy transition, telecom, agriculture and environment innovation). | Argentina, Canada, EC, Italy, Mexico, Brazil, Indonesia, Australia, Spain, United Kingdom<br><br>Germany, Italy, Brazil, EU, Korea, China, France, Russia, Saudi Arabia, Spain, Turkey, Argentina, Australia, India. |
| Big projects | New Airport of Mexico City in Mexico and Galileo International Airport in Rio de Janeiro; Le Grand Paris Express, which consist in 200 km of automatic metro lines. big transport sector investments in Russia | Mexico, Brazil, France, Russia, Turkey, |
| Support to capital market financing and new instruments | Financing for infrastructure with Islamic Sukuk in Indonesia.<br>Review of Turkey Sukuk regulation.<br>Capital Markets Union that aims to create a deeper and more integrated capital markets in the EU.<br>Expanding Korea Infrastructure Credit Guarantee as well as the Facility Investments Fund.<br>UK Credit Guarantee Scheme<br>Italy's tax incentives for project bonds. | Indonesia, Turkey,<br>EU, Korea, Saudi Arabia, United kingdom, Italy |
| Pipeline of projects | | EU, Italy, France, Mexico, Brazil, Australia |
| Digitalisation | Italian Digital Agenda that aims to create favourable conditions for the development of an integrated infrastructure for fixed and mobile communications in Italy.<br>Digital switchover in France.<br>electronic filing of reports and tax returns in Russia<br>Digital Agenda of the EU and cross-border connectivity | Italy, France, Russia, European Union |
| Reform of procurement code and review of public investment | | Italy, Russia, Brazil, Japan |
| Infrastructure investment to improve resilience to disasters | | Japan |

| INFRASTRUCTURE: FACILITATORS – 4. Supporting Improvements in Investment Climate | | |
|---|---|---|
| Theme | Sub theme | Countries |
| Minimum investment in infrastructure | The Pension System Law of Argentine requires the public pension fund to invest at least 5% in infrastructure projects. | Argentina |
| Expanding support to PPP | Stimulates PPP projects in Korea.<br>PPP unit, which is in charge of focusing on the contract assessment.<br>Government guarantee in PPP in Indonesia.<br>Sharing of knowledge and promoting best practices in PPP<br>Actively promote PPPs and facilitate access | Korea,<br>France,<br>Indonesia<br>Canada<br>China<br>Italy |
| Tax breaks for capital market instruments | Brazil zero per cent tax rate on capitals gains and interest earned by non-residents on infrastructure bonds. Tax breaks for project financing tools in Italy. | Brazil<br>Italy |
| Cost benefit analysis | Compulsory cost-benefit analysis.<br>Evidence based audit, guidelines for cost benefit and benchmark.<br>Obligatory public technical and price audit for selected projects.<br>Cost benefit analysis | France,<br>Australia,<br>Russia<br>EU |

| INFRASTRUCTURE: FACILITATORS – 5. Facilitating Financial Intermediation | | |
|---|---|---|
| Theme | Sub theme | Countries |
| New instruments, including to foster role of II in infrastructure | Develop financing vehicles (guarantees, loans or subordinated debt) to reduce financing cost for PPPs.<br>Improve the long-term investment environment and develop high-efficient and flexible financing tool.<br>Apply the European Long Term Investment Funds (ELTIFs) new regulatory framework.<br>PPP Debt Assumption Mechanism.<br>Establish Korean Infrastructure Investment Platform<br>UK insurance growth action plan | Mexico,<br>China,<br>EU,<br>Turkey<br>Korea,<br>United Kingdom |
| New and expanded public funds and increase role with private sector | European fund for strategic investment (EFSI).<br>New public transit fund in Canada.<br>Fund for Argentine Economic Development (FONDEAR).<br>New local facility investment fund and expanded infrastructure credit guarantee fund in Korea.<br>Strengthen the National Infrastructure Fund FONADIN.<br>Silk Road Fund | EU,<br>Canada,<br>Argentina,<br>Korea,<br>Mexico<br>Silk Road Fund<br>Saudi Arabia |

| INFRASTRUCTURE: FACILITATORS – 4. Supporting Improvements in Investment Climate | | |
|---|---|---|
| Theme | Sub theme | Countries |
| | Vehicle Excise Duty and Roads Fund<br>Financing for priority sectors and areas at the central and local level in Italy | United Kingdom<br>Italy |
| Tax incentives | Tax Loss Incentive in Australia | Italy, Brazil, Indonesia, Canada, Korea, France, Australia, China |
| Reduce financial costs of PPPs | | Mexico, Indonesia |

| INFRASTRUCTURE: FACILITATORS – 6. Mobilizing MDB Resources and Role of NDBs | | |
|---|---|---|
| Theme | Sub theme | Countries |
| New role for MDB and NPB | Support to market-based finance and leverage institutional investors funds as well as increase technical assistance.<br>Optimize National Development Banks' balance sheets and the execution of National Development Banks' medium term plans (2014-2018) and NDB medium term plans: expand credit and strengthen role private Mexico.<br>Banco Nacional de Desarrollo Económico y Social (BNDES) market oriented.<br>Expand support by NDB.<br>Support to EC investment plan.<br>VEB | EU and China,<br>Mexico,<br>Brazil,<br>Italy, Korea, Spain,<br>Germany, France<br>Russia |
| New structures | Asian Infrastructure Investment Bank–lean, clean and green, New Development Bank (NDB, BRICS). | Russia, China |
| Optimise NDB balance sheets | | |

| INFRASTRUCTURE: SAFEGUARDS – 7. Enabling Legal and Institutional Settings (PPP) | | |
|---|---|---|
| Theme | Sub theme | Countries |
| PPP model/framework/toolkit/ guidelines | Introduce a new PPP model.<br>Develop new vehicles to foster institutional investors' participation in infrastructure financing.<br>Improve the Institutional Capacity for PPPs.<br>Establishment of a Well-Developed PPP Framework.<br>Build America Investment Initiative (BAII) that aims to support long-term investment by facilitating greater public and private partnership.<br>New generation of PPPs<br>National PPP Policy and Guidelines<br>Private Finance Two (PF2) | Korea,<br>Mexico,<br>Turkey,<br>China,<br>USA<br><br>Germany<br>Australia<br>United Kingdom<br>Italy |
| Increase PPP | Increase project development through PPP schemes. | Japan, Australia, India |
| Dedicated unit | Special PPP unit or council. | India, Canada, China, France, Russia, United Kingdom, Italy |
| Standardisation PPP contracts | | USA, Australia, Italy |
| Improving feasibility study and assessment | India –central PPP appraisal Committee. | Korea, China, India, Italy |

| INFRASTRUCTURE: SAFEGUARDS – 8. Project Spectrum | | |
|---|---|---|
| Theme | Sub theme | Countries |
| Reduce administrative burdens | | EU, Australia, Brazil, Italy |
| Project Pipeline | | EU, France, Mexico, Brazil |
| Standardisation and harmonisation of projects | | EU |
| Fast Track | Reduce the duration of time consumed for project implementation. | Korea |
| Self-assessment of project spectrum | Mexico case study. | Mexico |
| Regulatory reforms | Establishing a new Interagency Infrastructure Permitting Improvement Centre (IIPIC) whose efforts would be devoted to the evaluation of the effectiveness of implemented reforms to the infrastructure.<br>Reform pricing in infrastructure | USA<br><br>China |

| | | |
|---|---|---|
| | Regulatory Framework for Project Financing | Brazil<br>Italy |

| INFRASTRUCTURE: SAFEGUARDS –<br>9. Addressing Data Gaps | | |
|---|---|---|
| Theme | Sub theme | Countries |
| Project availability | Availability of Projects.<br>Develop or upgrade local agencies to link investors with the projects of the National Infrastructure Program.<br>Promoting the proposal on PPP projects. | China, Mexico, South Korea |
| Sharing project information | South African Reserve Bank (SARB).<br>Sharing project information. | South Africa, United States of America |

| SME: FACILITATORS –<br>10. Facilitating Financial Intermediation | | |
|---|---|---|
| Theme | Sub theme | Countries |
| Tax incentives | Small business tax rate.<br>Innovative SMEs.<br>R&D tax credit.<br>Tax exemption in contracts signed between financial institutions and SMEs.<br>Incentives to invest in new capacity.<br>Social investment Tax Relief | Canada, United Kingdom<br>Italy,<br>Korea, United Kingdom<br>China,<br>Australia<br>United Kingdom |
| Reducing administrative barriers | | Spain, Brazil, Russia, Australia, France, Saudi Arabia, Italy |
| Role of public funds | Set up the European Fund for Strategic Investments (EFSI).<br>Suitable financing instruments (National Fund for the Development of micro, small and medium enterprises, Regime on Rate Discounts, Fund for financing the improvement of competitiveness of SMEs, among others).<br>Credit at subsidised rate by the Bank Kreditanstalt für Wiederaufbau (KfW).<br>Central guarantee fund and investment in capital goods ("Sabatini Law") in Italy.<br>Domestic development banks have created a wholesale lending model. National venture capital investment fund as seed fund to support venture capital investments. Will establish a state guiding fund for venture capital investment in emerging industries.<br>Lending RBI India.<br>VEB in Russia<br>British Business Bank ( Angel Co-Fund, Help to Grow Programme, Investment Programme, ENABLE Guarantees programme, Enterprise Finance Guarantee) activities in the united Kingdom. | EU,<br>Argentina,<br><br><br>Germany,<br>Italy,<br>China,<br><br><br>India<br>Russia<br>Saudi Arabia<br>United Kingdom |
| Stock markets | Emerging companies market for trade exclusively SMEs shares. Dedicated platform and regulatory measures | Turkey, EUA, China, Spain, Italy |
| Strengthen venture capital market, especially for start- up etc. | Tax exemption and expansion facility.<br>Special funds.<br>Venture capital action and council Japan.<br>Angel investments.<br>New vehicle "venture capital SME" | Germany,<br>Korea,<br>Canada, Japan<br>Turkey, India<br>Spain<br>China |

| SME: FACILITATORS – 10. Facilitating Financial Intermediation | | |
|---|---|---|
| Theme | Sub theme | Countries |
| | Riyadh-Taqnia Fund. | Saudi Arabia |
| Promoting financial inclusion | Youth Credit Programme.<br>Provide easy access to financial institutions.<br>Programs to improve financial literacy of SMEs | Mexico<br>Indonesia<br>Japan |
| New agency credit guarantees | | Russia |
| Facilitating bankruptcy resolutions and Restructure corporate debt | | Spain, Korea, Italy, Saudi Arabia |
| Diversifying financial sources | Alternative Fixed Income Securities Market.<br>Encouraging SMEs raise funds through direct financing channels such as equities, bonds and asset-backed securities.<br>Broad range of regulatory and financial measures and tax incentives to promote alternative sources finance in Italy | Spain<br>China<br>Italy |
| Facilitation of SME debt financing and equity finance | France (French Charter for Euro PP) and Italy for insurers.<br>Credit enhancement support to SME by national guarantee system in Russia<br>Public Credit Guarantee Scheme and creating new financial instruments for SMEs<br>Review securitisation legislation and promote Alternative Stock Market for SMEs<br>Standardised contract for direct financing of mid-caps and large SMEs by Institutional Investors<br>Several measures on non-banking sources of equity in Italy. | France, Italy<br>Russia<br>Turkey<br>Spain<br>France<br>Italy |
| Role of II including in lending | | France |
| Regulation of crowd funding implemented or considered | | France, Italy, Japan, Australia, Spain, China, Korea |
| Specific policies | Differential treatment for SMEs such as account on a cash basis among others.<br>"One Stop Business Establishment Center" in Tokyo<br>Support and regulatory measures for networks of SMEs in Italy | Australia<br>Japan<br>Italy |
| Dedicated programs | Canada small business financing program amended and Canada accelerator and incubator program.<br>Micro credit program.<br>Several programs (including training, subsidised loans, micro finance, seed capital and assistance to SMEs facing bankruptcy) to foster entrepreneurship and business start-up in Argentina<br>Capacity Jump-UP Program | Canada,<br>Indonesia<br>Argentina<br>Korea |

| SME: FACILITATORS –<br>10. Facilitating Financial Intermediation | | |
|---|---|---|
| Theme | Sub theme | Countries |
| | Finance for Growth in Italy | Italy |
| Addressing unfair practices between large firms and SMEs | Measures to limit payment times of public sector and large companies. | Korea<br>France |
| Promoting restart business | Reduce repayment burden of the loans for faithful failors. | Korea<br>Spain |
| Reduce informality | Growth together program in Mexico and government regulation 46 of Indonesia (small tax but register). New Law 26,940 in Argentina | Mexico, Indonesia, Argentina |
| Improving Credit information | | Germany, Mexico, Spain, China, UK |
| Movable | Movable property mortgage registration and collateral free loans.<br>Secured Transactions Law | China, India<br>Turkey |

| SME: FACILITATORS –<br>11. Mobilizing MDB resources and role of NDBs | | |
|---|---|---|
| Theme | Sub theme | Countries |
| Role of NDB | Capacity building and increasing access to financing through the Business Development Bank of Canada.<br>Development of SME debt financing by establishing a structure in which banks could sell a portion of their SME loans to a SPV.<br>KfW as an anchor investor in Germany.<br>New guarantee scheme.<br>Instituto de Crédito Oficial (ICO).<br>SME Bank in Russia<br>Expanded role of CDP to finance SMEs in Italy | Canada,<br>France,<br><br>Germany<br>Spain, Turkey,<br>Spain<br><br>Russia<br>Italy |
| Public Funds | Expanding Facility Investment Fund.<br>National entrepreneur fund. | Korea<br>Mexico |

| SME: SAFEGUARDS – 12. Enabling Appropriate Legal and Institutional Settings | | |
|---|---|---|
| Theme | Sub theme | Countries |
| Product development | Enabling Appropriate Legal and Institutional Settings.<br>Expand SMEs Financing.<br>“Finance for Growth” program.<br>New Sabatini law”.<br>Expansion of support for SMEs.<br>Ministry of small business development.<br>Putting an end to unfair practices between large firms and SMEs.<br>Reducing Administrative Barriers.<br>The Financial System Reform.<br>Regulatory reform of National Strategic Special Zones | Argentina, Germany, India, Italy, Russia, South Africa, South Korea, Spain, Japan |
| Non-bank SME financing settings | Non-Banking Financing Mechanisms for SMEs.<br>Promoting to start and restart business. | Canada, China, South Korea, Italy |

| SME: SAFEGUARDS – 13. Addressing Data Gaps | | |
|---|---|---|
| Theme | Sub theme | Countries |
| Information sharing (standardized data set) | Generate credit information for SMEs.<br>South African ‘Credit Providers’ Association.<br>Innovating SMEs support framework.<br>Providing information on support policies to SMEs.<br>Measures to Promote Corporate Financing. | Mexico, South Africa, South Korea, Spain |
| SME data gap dissemination | SMEs Data | China |

**ANNEX 3**

| **ANNEX 3**<br>**SELECTED MEASURES RECENTLY UNDERTAKEN OR CONSIDERED BY G20 MEMBERS** | |
|---|---|
| **Investment Ecosystem** | |
| **Australia** | Financial System’s Inquiry(final report released December 2014).<br>The Emissions Reduction Fund (ERF) (created 2014-2020).<br>Competition Policy Review and final report released in March 2015.<br>New tax white paper (an options (Green) paper will be released in the second half of 2015). |
| **Brazil** | Enactment of Federal Law no 147 on to improve the business environment (07.08.2014).<br>New financing instruments—including project bonds in local currency, private equity funds,<br>Actions for fiscal consolidation. |
| **Canada** | Increasing the TFSA annual contribution limit. (proposed in the 2015 budget)<br>Since February 2014, the Government of Canada has held three auctions of spectrum in the telecommunications sector (to increase competition).<br>Accelerated capital cost allowance (CCA) (for machinery 2015-2026).<br>Increasing the Investment Canada Act net benefit review threshold for investments in Canadian businesses (April 2015). |
| **China** | 12th Five-Year Plan for National Economic and Social Development (2011-2015).<br>13th Five-Year Plan of National Economic and Social Development (2016-2020).<br>Revised Measure for Administration of Leverage Ratio of Commercial Banks ( April 2015).<br>Catalogue of Industries for Foreign Investment (March 13, 2015).<br>Administrative Measures for Approval and Record-filing of Overseas Investment Projects (2014).<br>Draft version of the Overseas Investment Law of the People’s Republic of China (January 2015). |

| ANNEX 3<br>SELECTED MEASURES RECENTLY UNDERTAKEN OR CONSIDERED BY G20 MEMBERS | |
|---|---|
| **European Union** | European Commission's Investment Plan for Europe (EUR 315 billion).<br>European Structural and Investment Funds (EUR 450 billion over 2014-2020).<br>European Long Term Investment Funds (ELTIFs) (2015).<br>By mid-2015:<br>• The new European Fund for Strategic Investments is operational.<br>• The new investment advisory "Hub" is operational.<br>• An Action Plan on Capital Markets Union will be published. |
| **Investment Ecosystem** | |
| **France** | Business Simplification Council (2014).<br>Bill on growth, economic activity and equal economic opportunity.<br>Roll-out of the Competitiveness and Employment Tax Credit (CICE) (introduced 2015).<br>Reduction of social security charges (January 2015).<br>Increasing competition in legal and accounting professions. (January 2014).<br>ACTPE Law: simplification of retail outlet implantation (2014).<br>Creating French Tech Hubs abroad. (214-2015).<br>Scale up of Invest for the Future investment Program beyond 2017 (announced 2015).<br>To be implemented by early 2016 include:<br>• lifting regulatory constraints on vocational learning.<br>• reducing the time-frame for the issue of planning.<br>• simplified access for SMEs to the 20,000 public tenders.<br>• “silence means consent” in administrative procedures. |

| ANNEX 3<br>SELECTED MEASURES RECENTLY UNDERTAKEN OR CONSIDERED BY G20 MEMBERS | |
|---|---|
| **Germany** | Increase public investment by nearly €40 billion over a five-year period (from 2014 to 2018). (especially in infrastructure, energy efficiency, education and research).<br>The Bürokratieentlastungsgesetz (Bureaucracy Relief Act) (2015).<br>The Federal Government will introduce the principle of "one in, one out" in Germany by 1 July 2015.<br>Digital Agenda (2014).<br>More investment in education and research:<br>• The federal states (Länder) and municipalities will receive support totalling €6 billion over the next four years (2015-2018) to help them finance child care, schools and universities. An additional €3 billion for research will be made available by the Federal Government.<br>From 2015 onwards, revenues from allocations of broadcast frequencies will be used to give incentives for investment in regions were broadband roll-out is not yet profitable.<br>Smart Service World program (2015-2019).<br>Final report by "Strengthening Investment in Germany" commission presented spring 2015. |
| **Investment Ecosystem** | |
| **India** | Note: new government assumed office in May 2014.<br>The Twelfth Plan (Year 2012-2017).<br>With a view to supplement the existing mechanism, an institution '3P India' is being set up to provide support to mainstreaming PPPs.<br>New reform measures:<br>• Diesel prices have been deregulated.<br>• Gas prices have been linked transparently and automatically to international prices.<br>• Auction of coal and minerals. New initiatives.<br>Make in India program.<br>Monetary Policy Framework Agreement (February 2015). |
| **Indonesia** | Announced Economic policy packages to increase investment. |

| ANNEX 3<br>SELECTED MEASURES RECENTLY UNDERTAKEN OR CONSIDERED BY G20 MEMBERS | |
|---|---|
| **Italy** | Jobs Act (approved mid-2015).<br>Reform of the tax system – to be completed by Fall 2015<br>Reform of the Public Administration (2015)<br>Reform the education system and university system (by 2015).<br>Launch of a digitalization plan (2015).<br>Launch of National research program (2015).<br>Annual law on competition (implemented by 2015).<br>Substantially reduce public shareholdings and fragmentation. (by 2015).<br>Agenda for Simplification of public administration (2015-2017).<br>Reform of Civil Justice (2015)<br>Specific Business courts for foreign investors (2014).<br>Anti-corruption (approved in 2015).<br>Responsible Business Conduct |
| **Japan** | Overall objective: To triple the size of PPP/PFI projects over the ten years from 2012 (4.2 trillion yen → 12 trillion yen).<br>Effective corporate tax rate will be reduced (2015 onwards).<br>Japanese government designated six National Strategic Special Zones (2014).<br>Expansion of NISA (tax-exempt individual investment accounts) (introduced in 2014).<br>Junior NISA (for under 20 year olds) (starting 2016)<br>The Government Pension Investment Fund (GPIF) revised its policy asset mix (October 2014).<br>Council for Promotion of Foreign Direct Investment in Japan (April 2014).<br>Corporate Governance Code (June 2015).<br>Stewardship Code for institutional investors (published in February 2014). |
| **Investment Ecosystem** | |

| ANNEX 3<br>SELECTED MEASURES RECENTLY UNDERTAKEN OR CONSIDERED BY G20 MEMBERS | |
|---|---|
| **Korea** | Significantly scale up the budget allocation for R&D investment in 2015.<br>Increase venture investment from KRW 1.3 trillion in 2013 to KRW 2 trillion in 2017.<br>Increase R&D expenditure from 4.3% of GDP in 2013 to 5% of GDP in 2017.<br>Pursue deregulation on Private Equity Fund by 2017.<br>Increase the M&A support through the Growth Ladder Fund by 2016.<br>Supplement the policy for corporate tax deduction by 2017.<br>In 2015, financial support worth KRW 259.1 trillion will be contributed by public financial institutions to SMEs and future growth industries.<br>Update a manual of cost analysis and then distribute in by 2015.<br>Implement the Framework Act on Administrative Regulation by 2015.<br>Implement the strategy to foster seven promising service industries by 2016 and develop measures to promote globalization of service sector by 2015.<br>Establish improvement plan for corporate bond market by 2015.<br>Increase credit offering ceiling of Investment Bank to 200% net equity. Revise related legislations by 2016. |
| **Mexico** | In 2015 different international electronic platforms for securities trade were put in place.<br>A budget cut for 2015 of 8.3 billion dollars (0.7% of the GDP) and 9 billion dollars for 2016 (0.8% of GDP). The budget cut in 2016 would be about twice than the current adjustment without the cut in 2015.<br>The 2016 Federal Budget will be prepared using a zero-based budget approach.<br>Profound structural reforms were achieved in 2013 and 2014.<br>Comprehensive Plan for Economic Development in the region called Istmo de Tehuantepec (2015-2018).<br>During 2015 and 2016, NAFIN will strengthen programs:<br>• Institutional Market Program for Alternative Corporate Debt (MIDAS) (SMEs).<br>• Financial Guarantee Program.<br>Initiative to create the National System against Corruption and the Senate approved constitutional changes on April, 2015.<br>Increase voluntary savings for pension funds (2014-2015).<br>At least 500 billion dollars of public and private investment for infrastructure and SME financing in 2015-2018. |
| **Investment Ecosystem** | |

## ANNEX 3
## SELECTED MEASURES RECENTLY UNDERTAKEN OR CONSIDERED BY G20 MEMBERS

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|---|---|
| **Russia** | New legislation covering project selection for the public investment and obligatory public audit (November 2013)<br>Use evident sources of ‘long-term money’ – National Wealth Fund (NWF) and assets of the funded pension pillar to provide long-term funds.<br>Basel III standards went into effect from 1 January 2014. |
| **Saudi Arabia** | Unified Investment Plan.<br>Tenth Development Plan (2015-19) |
| **South Africa** | Tax-free savings accounts will be implemented in the next 3 years.<br>Additional tax incentives to establish energy efficiency industrial processes (from 2015). |
| **Spain** | Major tax Reform entered into force in January 2015.<br>Independent Fiscal Responsibility Authority began operations in July 2014.<br>Increasing expenditure for R&D (from 2014 onwards).<br>Spanish Strategy on Science, Technology and Innovation 2013-2020.<br>National Plan on Scientific and Technological Research 2013-2016.<br>During 2015: General Tax Law update.<br>Law on Market Unity (currently implementing).<br>Creating the National Research Agency.<br>R&D&I system Peer review - conclusions published in April 2015. |
| **Turkey** | Tenth Development Plan (2014-2018).<br>Recently established Regional Development Agencies. |

| ANNEX 3<br>SELECTED MEASURES RECENTLY UNDERTAKEN OR CONSIDERED BY G20 MEMBERS | |
|---|---|
| **United Kingdom** | Productivity plan published in July 2015<br>Further reductions of the corporate tax rate (announced 2015)<br>Permanently establish the Office of Tax Simplification<br>Review of the business energy efficiency tax (2015)<br>Further cutting red tape |
| **Infrastructure** | |
| **Argentina** | "Program for the Stimulus of the Production of Crude Oil", in effect from 01/01/2015 to 12/31/2015, but can be extended for twelve months.<br>PROBIOMASA initiative.<br>AR$14.2 billion (US$1.7 billion, 0.4% of GDP) for telecommunications (2014-2017).<br>New system of increasing differential (export duty) rates (2014). |
| **Australia** | Infrastructure Investment Programme (invest A$50 billion to 2020 to build or upgrade both new and existing infrastructure).<br>Tax Loss Incentive for certain Infrastructure investments (introduced in July 2013).<br>Considering the use of alternative funding and financing mechanisms for infrastructure (announced in 2014-15 budget).<br>Asset Recycling Initiative (A$5 billion; 2014-2019).<br>Northern Australia Infrastructure Facility (2015).<br>National Stronger Regions Fund, (announced in 2014-2015 budget).<br>New Stronger Communities programme (announced in 2015-2016 budget.<br>Extension of the Community Development Grants Fund ((announced in 2015-2016 budget).<br>Increasing independence of Infrastructure Australia (September 2014).<br>Develop a 15-year Infrastructure Plan (late 2015).<br>Publication of the first-ever maps of key freight routes (agreed 2014).<br>The National Infrastructure Audit (released in May 2015).<br>Water Infrastructure Options Paper was released on 29 October 2014.<br>Development of formal data collection mechanisms to benchmark the performance of infrastructure procurement processes (commenced recently). |

| ANNEX 3<br>SELECTED MEASURES RECENTLY UNDERTAKEN OR CONSIDERED BY G20 MEMBERS | |
|---|---|
| **Brazil** | For the period 2015-2018, BNDES forecasts investments of BRL 177bn, both public and private, in the development of the transport infrastructure of the country.<br>National Plan of Integrated Logistics (PNLI). Publication of its first round is programmed for first semester of 2015.<br>Auctioning of dredging of 20 ports (announced June 2014).<br>Government plans to subsidise the price of airline tickets in regional flights.(July 2014).<br>Extension of Pronatec Program to 2018. |
| **Infrastructure** | |
| **Canada** | New Building Canada Plan. ($53 billion 2014-2015).<br>In autumn 2014, Canada announced an additional C$5.8 billion over six years, starting in 2014-15.<br>New Public Transit Fund (planned, funding starting 2017-18). |
| **China** | In 2014, the State Council promulgated a guideline document aimed at promoting innovations of the investment and financing mechanism in key areas. |
| **European Union** | Investment Plan for Europe.<br>Europe 2020 Project Bond Initiative (2012, pilot phase extended). |
| **France** | Creation of energy transition fund of €1.5<br>The Juncker plan for investment was officially enacted in December 2014.<br>First energy programming to be published by 2018.<br>First project bond in France and the first broadband infrastructure bond in Europe (€ 189 million, July 2014).<br>Establishing a zero-rate pre-financing of FCTVA payments to local authorities (starting 2016). |
| **Germany** | Increase public investment by nearly €40 billion over a five-year period (from 2014 to 2018) (especially in infrastructure, energy efficiency, education and research).<br>Finance investment in motorways via new user charges for cars (2015).<br>Railway infrastructure €28 billion modernisation programme over five years (2015-2019).<br>Will launch a new generation of public-private partnership projects. |

| ANNEX 3<br>SELECTED MEASURES RECENTLY UNDERTAKEN OR CONSIDERED BY G20 MEMBERS | |
|---|---|
| **India** | National Highways and Infrastructure Development Corporation Ltd.<br>Since July 2014, RBI has permitted banks to issue long-term bonds for infrastructure projects and affordable housing.<br>The Twelfth Five Year Plan (2012-2017).<br>“3P India” is being set up. |
| **Indonesia** | Establishment of Committee for the Acceleration of Priority Infrastructure Provision (KPPIP) (2014).<br>Establishment of Directorate of Government Support and Infrastructure Financing (2015).<br>Increased capital of Sarana Multi Infrastruktur Persero/PT.SMI (state-owned enterprise in infrastructure financing) (2015).<br>Guidance for infrastructure development in 2015-2019. |
| **Infrastructure** | |
| **Italy** | “Unblock Italy” Law (includes 3.9 billion investments, end 2014).<br>Reforming the procurement code by 2015.<br>Multi- Year Planning Document (to be issues by September 2015).<br>Digital Agenda (2015-2020). |
| **Japan** | April 2015: Listed infrastructure fund market established at Tokyo Stock Exchange. |
| **Korea** | Increase infrastructure investment via SOCs (KRW85 trillion in 2014-2017).<br>Improve land acquisition compensation laws (2014).<br>Reviewing the extension of zero rated VAT policy (2015).<br>Private Investment Act will be completed by 2015.<br>Fostering business-owned rental house businesses (push for enacting by 2015).<br>Expanding Korea Infrastructure Credit Guarantee. (revise legislation by 2015).<br>Introducing corporate investment promotion program. (total investment of KRW30 trillion by 2017).<br>Will adopt a new PPP model (revise legislation by 2015).<br>PPP education for government official will be initiated by 2015.<br>PPP Fast track – to be completed by 2015.<br>Converting projects into PPP projects during the preliminary feasibility study – will be completed by 2015.<br>Improving preliminary feasibility study. The revision of related legislations to be completed by 2015.<br>Total amount of USD 46 billion will be invested in infrastructure project through PPP (2015-2018). |

| ANNEX 3<br>SELECTED MEASURES RECENTLY UNDERTAKEN OR CONSIDERED BY G20 MEMBERS | |
|---|---|
| **Mexico** | National Infrastructure Program 2014-2018 (NIP).<br>Reforming State productive Enterprises (continue 2015-2016).<br>Strengthening the National Infrastructure Fund (FONADIN). (2015-2016).<br>Designing Credit Enhancement measures (2015-2016).<br>Major NDB's medium term plans (2014-2018).<br>Reform of capital markets regulation. (Revisions during 2015).<br>Creating local agencies to link investors with the projects of National Infrastructure Program. Could take place by 2016. |
| **Infrastructure** | |
| **Russia** | Use of public funds to support investment in the large-scale infrastructure projects (recent).<br>Preferential loans for project financing projects (Starting October 2014).<br>Joining Asian Infrastructure Investment Bank (AIIB) (2015).<br>Increasing loan portfolio of NDB (2015-2020).<br>Creation of the Coordination Council for PPP (2014).<br>Joining the New Development Bank (2014). |
| **South Africa** | R847 billion investment in infrastructure over next 3 years.<br>"South Africa Connect" Program.<br>Infrastructure Development Bill (June 2014).<br>Establishing a "Knowledge Hub" with the World Bank (current). |

| ANNEX 3<br>SELECTED MEASURES RECENTLY UNDERTAKEN OR CONSIDERED BY G20 MEMBERS | |
|---|---|
| **Spain** | Infrastructure, Transport and Housing Plan (PITVI) 2012-2024.<br>Investments co-funded by European Structural Funds (2014-2020).<br>Draft Law on the Railway Sector.<br>Draft Law on Road Infrastructures.<br>Review concessional periods of ports .<br>Draft Law on Public Procurement Contracts (2014).<br>Draft Law on Contracts in the Water, Energy, Transport and Postal Service Sectors (2014).<br>New regulation of liabilities in concessions. |
| **Turkey** | Transportation Master Plan (2014-2016).<br>Action Plan (2014-2018).<br>Central electronic platform (TEFAS) for trading investment fund units (January 2015).<br>Expanding the range of collective investors in capital markets (2015).<br>City hospitals PPP program.<br>2014-2018 Strategic Plan for Transport. |
| **United Kingdom** | National Infrastructure Plan 2014<br>Create a new Roads Fund (announced 2015)<br>Expand North Sea investment allowance<br>Propose projects for the EU Investment Plan |
| **Infrastructure** | |

| ANNEX 3<br>SELECTED MEASURES RECENTLY UNDERTAKEN OR CONSIDERED BY G20 MEMBERS | |
|---|---|
| **United States** | Obama Administration's Build America Investment Initiative (BAII) (2014).<br>Reauthorizing surface transportation funding at $478 billion over six years and permanently establishing TIGER program (proposed in FY2016 Budget).<br>Permanently creating the America Fast Forward Bonds (AFFB) program (proposed in FY2016 Budget).<br>Expanding the eligibility for Private Activity Bonds (PABs) (proposed in FY2016 Budget).<br>Permanently establishing the Qualified Public Infrastructure Bonds program (QPIBs) (proposed in FY2016 Budget).<br>Permanently establishing the Qualified Public Infrastructure Bonds (QPIBs) program (proposed in FY2016 Budget).<br>Exempting foreign pension funds from application of the Foreign Investment in Real Property Tax Act (FIRPTA) (proposed in FY2016 Budget).<br>Interagency Infrastructure Permitting Improvement Center (IIPIC) (proposed in FY2016 Budget).<br>Build America Transportation Investment Center (BATIC). (recently set up).<br>Water Finance Centre (setting up 2015).<br>Rural Opportunity Investment Initiative (launching 2015). |
| **SMEs** | |
| **Argentina** | Fund for financing the improvement of competitiveness of SMEs (FONCER).<br>BICE credit line to boost regional diversification of the national productive fabric.<br>Bicentennial Productive Financing Program (Renewed 2015).<br>New Law 26,940 |
| **Australia** | Lowering regulatory costs of crowd-sourced equity funding (CSEF) (aiming for 2015).<br>Temporary tax incentives for investment by SMEs (2015-2017).<br>Lowering of corporate taxes for SMEs (starting 2015).<br>Competition Policy Review Final Report (2015). |
| **Brazil** | New Regulatory Frameworks for Small and Medium Enterprises (SMEs). |

| ANNEX 3<br>SELECTED MEASURES RECENTLY UNDERTAKEN OR CONSIDERED BY G20 MEMBERS | |
|---|---|
| **Canada** | Reduce federal small business tax rate (proposed in 2015 budget).<br>Providing capital to SMEs and Women Entrepreneurs through the NDB (2015).<br>SME support from the Export Credit Agency. (2015).<br>Expand the coverage of SME definition (2015).<br>Increase the maximum duration of government coverage for real property loans (announced for 2015-2016). |
| **China** | Temporary tax exemptions for SMEs (2014-2017).<br>Expanding the issuers of corporate bonds from listed companies to all enterprises (2015). |
| **European Union** | Investment Plan for Europe. |
| **France** | Revision of investment regulations of institutional investors (announced 2014).<br>New regulatory framework for crowdfunding (October, 2014).<br>Stricter laws on payment times (before 2017).<br>Euro Secured Notes Issuer (ESNI) (2014).<br>Creation of Bpi France (2012).<br>“Tout pour l’Emploi” program (2015)<br>French Charter for Euro PP (2014)<br>Standardised contract for direct financing of mid-caps and large SMEs by Institutional Investors (2015) |
| **Germany** | Tax exemption of the Investment Grant for Venture Capital (“INVEST Zuschuss”, introduced 2013) (2014, retroactively effective).<br>Creating a financing facility for expansion capital (summer 2015).<br>NDB as an anchor investor in venture capital market (continuation approved 2015).<br>Possibly reforming regulation of small banks (medium term). |
| **SMEs** | |
| **India** | Fund providing risk capital to start-up companies (proposed in 2014-2015 Annual Plan).<br>Reviewing the definition of MSMEs to expand coverage.<br>Programme to facilitate forward and backward linkages with multiple value chain of manufacturing and service delivery will also be put in place.<br>Establishing an electronic Trade Receivables Discounting System (TReDS) financing of trade receivables of MSMEs (currently in the process). |

| ANNEX 3<br>SELECTED MEASURES RECENTLY UNDERTAKEN OR CONSIDERED BY G20 MEMBERS | |
|---|---|
| **Italy** | Finance for Growth<br>Access to Finance (Central Guarantee Fund for SMEs and incentives for investment in capital goods).<br>Regulatory and financial measures to expand non-banking sources of debt financing and promote equity financing.<br>Incentives for innovation (R&D; start-ups)<br>Reform of domestic cooperative banks and bank Foundations and measures on non-performing loans (2015).<br>Promoting the use of networks of SMEs through additional incentives (2015).<br>Measures to promote Made in Italy and FDI |
| **Japan** | Promoting the use of security based crowd-funding (2014).<br>Venture Business Creation Council (September 2014).<br>Promoting greater part of SMEs in government procurement (bill presented 2015).<br>Facilitating business restructurings (March 2014). |
| **Korea** | Launching secondary funds in 2015.<br>Expanding financial support to SME's (initiate legislation by 2015).<br>Tax incentives for angel investments.<br>Introducing GAP model into Young Entrepreneur Fund (by 2015).<br>Strategy to promote business start-ups (by 2018).<br>Capacity Jump-UP Program<br>Establish a Market Information System |
| **Mexico** | Youth Credit Program (February 2015).<br>National Entrepreneur Fund, (2015).<br>"Growth Together Program" (Programa Crezcamos Juntos) (2014). |
| **Russia** | Agency for Credit Guarantees (joint stock company) 92014).<br>Temporary tax exemption for SMEs (2015-2020).<br>Provision of risk sharing through the NDB (through 2020).<br>Expanding the eligibility criteria for SME support (introduction by August 2015).<br>Strengthening competition laws (currently under consideration). |
| **SMEs** | |
| **South Africa** | Establishment of the Ministry of small business development (2014). |

| ANNEX 3<br>SELECTED MEASURES RECENTLY UNDERTAKEN OR CONSIDERED BY G20 MEMBERS | |
|---|---|
| **Spain** | Reforming the Bankruptcy Law (in force).<br>Alternative Fixed Income Securities Market (Mercado Alternativo de Renta Fija, MARF) (created 2013).<br>Creating Venture Capital SME (2014).<br>Reducing regulatory burden of business establishment (2015).<br>Modification and simplification of the regime of guarantees for bank credit.<br>Reform of the covered bonds regime (under way).<br>Fond ICO Global (late 2013).<br>New temporary guarantee scheme for SMEs (2014, initial duration one year).<br>Improving the functioning of Mutual Guarantee Funds. |
| **Turkey** | Emerging Companies Market at the stock exchange.<br>Expanding the Public Credit Guarantee Scheme for SMEs (2009-2017).<br>Legislative framework for crowdfunding (in preparation).<br>"Action Plan for Commercialization in the Priority Technology Areas". |
| **United Kingdom** | Extend the Funding for Lending Scheme<br>Tax relief for SMEs<br>Creation of the British Business Bank (2014) and its programmes: Angel Co-Fund, Help to Grow, Investment Ptogramme, ENABLE Guarantees programme, Enterprise Finance Guarantee<br>Social investment Tax Relief (2014)<br>Tax credits for R&D investments by SMEs (2014)<br>Legislation for the sharing of SME credit information (to be finalised in 2015)<br>Employment Allowance (2014) increase in 2015 |

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