

OPENING REMARKS TO THE G20 SMALL AND MEDIUM ENTERPRISES WORKSHOP

SPEECH TO THE G20 SMALL AND MEDIUM ENTERPRISES WORKSHOP

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At St Petersburg, leaders identified and prioritised investment as an ongoing multi-year work program.

Progressing this agenda is a key priority of the Australian Presidency. It goes directly to the ambitious growth agenda we have set out. Increased high quality investment has the potential to increase medium term potential growth, contribute to much needed cyclical recovery, and more balanced policy settings.

We have set up an Investment and Infrastructure Working Group, chaired by Indonesia, Germany and Mexico, to develop concrete initiatives that will boost private sector investment.

This involves work in two distinct areas of investment – infrastructure and SMEs. These areas strongly align with the Australian Government’s own priorities.

I thought I would use these opening remarks to put the agenda of this workshop within the context of the broader G20 agenda. I will start with reference to the investment agenda, and then speak more broadly about the overall growth agenda for 2014.

The G20’s investment work is focussing on a range of issues. We are looking at developing measures to improve the investment climate across the G20.

We are looking at what can be done to improve financing flows to quality projects. And we are looking at the catalytic role that can be played by the multilateral development banks.

But we must start with the basics, and that means ensuring the investment environment is strong. Ministers and Central Bank Governors pointed to this in Sydney. They called for reforms that remove the constraints to private sector investment, provide sound and predictable government policy and regulatory frameworks. They called for an emphasis on market incentives and disciplines.

In the area of infrastructure the focus is on ensuring processes are in place to develop so-called bankable projects. For SMEs it must be to develop an environment or ecosystem where businesses are easy to set up and expand, and innovation is rewarded.

The important work on investment financing, the subject of this workshop, needs to start from this point. Indeed if these basics are not right, no amount of work on the financing front will succeed.

But the work on financing is an important complement to this focus on creating supportive investment environment. There appears to be evidence that in many countries the availability of financing, particularly for SMEs, is an additional constraint to lifting investment.

In some countries a lack of financial inclusion is holding back the flow of bank funding to good projects. We also need to look hard at whether our policy frameworks are allowing the full range of capital market financing options to come into play. And we need to check whether regulatory frameworks are keeping up with new developments such as crowd funding. This workshop allows us to test these issues thoroughly.

In terms of policy responses, we need to make sure any efforts to improve financing are market enhancing, and that they don't create new distortions. And importantly, any measures must be consistent with fiscal sustainability and financial stability, as emphasised by G20 Ministers and Central Bank Governors at their recent meeting in Sydney. Within these broad parameters though there appear to be promising options on the table and I look forward to hearing your input.

A package of investment measures for the Brisbane Summit that both decisively improved the broad investment climate and increased the ease of financing has much potential to

contribute to the G20 growth agenda.

There are other aspects of the broader G20 agenda that directly bear on SME growth, dynamism, and resilience, and I will spend a moment drawing these links.

At St Petersburg, G20 leaders committed to producing comprehensive growth strategies. At the recent G20 meetings in Sydney, Ministers and Central Bank Governors built further on this by agreeing to develop ambitious but realistic policies with the aim of increasing GDP by more than 2 per cent above the current trajectory over the next five years.

This is a landmark commitment. For the first time the G20 is setting out in concrete terms what it wants to achieve. But we all know that this will take very significant further work on the part of G20 members, individually and collectively.

To facilitate ambition and the beneficial sharing of experience, the G20 is focussing on a few key themes. We have talked about investment, but we are also paying particular attention to policies to improve employment, and those that enhance trade and promote competition.

These focus areas are highly relevant to the business environment for SMEs. Indeed the research by the IMF, OECD and World Bank suggested that policies to improve the domestic competitive environment for products and services had some of the biggest impacts. Policies like poor and excessive regulation of product markets and policies to promote competition. And in the area of trade, policies to reduce behind the border barriers, and promote the development of global value chains. SMEs are likely to feel the constraints of poor policy in these areas most keenly.

General policies in these areas can be complemented by specific and well-targeted measures that improve the business capability of SMEs.

So apart from the important work of the investment and infrastructure work stream, I expect the measures coming forward as part of the comprehensive growth strategies will bear directly on creating an environment where SMEs can flourish and contribute to growth and jobs.

In conclusion, a wide ranging reform agenda has the potential to create the necessary conditions for increasing investment in infrastructure and SMEs, and their potential contribution to overall economic growth and jobs.

This bears directly on the key outcomes of the G20 agenda agreed to at the Sydney meeting of Finance Ministers and Central Bank Governors.

I want to welcome you once more to this workshop and reiterate that we will be listening closely to the discussions.