MAPPING G20 DECISIONS IMPLEMENTATION

How G20 is delivering on the decisions made

DRAFT REPORT

With support of:

Preface

Has the G20 lived up to its early success as an anti-crisis mechanism and its claim to act as its members' premier forum for the G20 international economic cooperation? In a world which needs global collective political will and coordinated action to address persistent imbalances and steer the economy towards strong, sustainable and balanced growth, it is still not obvious that the G20 summitry is delivering on its pledges.

The report reviews G20 members' implementation of the commitments made at G20 summits on seven priority areas of the G20 cooperation. These include implementation of commitments on structural reforms and overcoming imbalances, reform of international financial institutions and financial markets regulation. The analysis includes an assessment of compliance with the commitments to resist protectionism and to rationalize and phase out inefficient fossil fuel subsidies. The analysis of development commitments includes an evaluation of the decisions in key areas agreed at the 2010 Seoul Summit. These cover infrastructure, private investment and job creation, human resource development, trade, financial inclusion, growth with resilience, food security, domestic resource mobilization and knowledge sharing.

The report has been initiated and produced by an international network of scholars under the leadership of the International Organizations Research Institute of the National Research University Higher School of Economics (IORI HSE) and the G20 Research Group of the University of Toronto in the run-up to the Russia's G20 Presidency in 2013. Presented and discussed within the G20 Civil Society Track (www.g20civil.com), it provides an independent analysis and evidence base for a dialogue between a wide range of stakeholders and G20 governors on the future agenda of the forum.

To stimulate the dialogue on the G20's future agenda, each section and respective pieces of the executive summary conclude with recommendations for the G20's future actions. The recommendations are also summed up in a separate section for the readers' convenience.

The monitoring timeframe spans the period from the first adoption of a decision to October 31, 2012. Where there have been changes in the commitments observed, those changes are summarized. The analysis of implementation is based on official documents issued by international organizations and G20 countries, media reports and other publicly available information. To ensure accuracy, comprehensiveness and integrity, we encourage comments. Indeed, scores can be recalibrated if new material becomes available. All feedback remains anonymous. Responsibility for this report's contents lies exclusively with the authors and analysts of the IORI HSE and their partners at the G20 Research Group.

The evaluation methodology is defined according to the policy area and the concrete decisions and is described in each section. Two types of pledges have been included into the analysis: commitments, which require actions at the national level, or "G20 members' individual commitments"; and pledges and mandates, which require action by the G20 as an institution, or "institutional commitments". Each of the commitments was assessed using the following scoring system: +1 for full compliance, 0 for partial compliance or work in progress, and -1 for non-compliance.

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The study is the product of a team of dedicated, energetic, hard-working analysts. It would not be possible without their commitment, ingenuity and thoroughness. We are especially indebted to our colleagues at IORI HSE: Andrei Sakharov, Andrey Shelepov and Mark Rakhmangulov, and the colleagues at the G20 Research Group centered at the University of Toronto: Dr. Ella Kokotsis, Madeline Koch, Caroline Bracht and Julia Kulik.

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Executive Summary

This report reviews the implementation of the commitments made by the G20 leaders at their summits on seven key areas of G20 cooperation: implementation of structural reforms and overcoming imbalances, international financial institutions reform and financial markets regulation. The analysis also includes an assessment of compliance with commitments to resist protectionism and to rationalize and phase out inefficient fossil fuel subsidies.

The analysis of the commitments on development is based on the evaluation of the decisions in key areas agreed at the 2010 Seoul Summit. These areas include investment in infrastructure, responsible private investment in value chains, access and availability of trade, financial inclusion, improving income security and resilience to shocks, food security, support to inclusive growth and social equity through building sustainable revenue bases. Compliance on the commitment to assist the poorest countries and support them in mobilizing domestic resources, as well as the pledge to create enabling environments conducive for development and deployment of energy efficiency and clean energy technologies has also been included into the review.

The evaluation methodology is defined by the nature of the policy area and concrete decisions (see reports). The monitoring timeframe spans the period from the adoption of a decision to the end of October 2012. For the areas in which the transformation of commitments is observed, their dynamics are briefly summed up. The analysis is based on official documents issued by G20 members and international organizations relevant to the issues, as well as media reports and other publicly available information. The review is focused on the decisions implementation and does not attempt to estimate the impact or effectiveness of the G20 actions.

Two types of pledges have been included in this analysis: commitments, which require actions at the national level, or “G20 members’ individual commitments”; and pledges and mandates that require action by the G20 as an institution, or “institutional commitments”. Given that institutional compliance requires that a critical number of G20 members meet their pledges, attainment of an institutional commitment can be regarded as a G20 verbal consensus turned into action. Each of the commitments was assessed using the following scoring system: +1 for full compliance; 0 for partial compliance or work in progress and -1 for non-compliance. The average level of G20 members’ individual compliance is 0.34 (Table I). The average level of G20 institutional compliance with collective commitments is 0.49 (Table II).

The G20 performance varies across countries and policy areas with the highest compliance level on the IMF reform and development at 0.71 and 0.62 respectively. The G20 average for actions on fiscal consolidation is 0.60 if the Toronto terms are applied to all G20 members, and 0.80, if applied to advanced economies. Efforts on structural reforms (0.24) ought to be boosted substantially. The shot on financial regulation (0.23) is well below the target. Performance on the commitment to refrain from protectionist measures is lagging at -0.35, in spite of the consistent reiteration of the pledge at each G20 summit.

Each report and respective sections of the executive summary conclude with recommendations for the G20 future actions. The recommendations are highlighted in bold.

1. Promoting Rebalancing through Fiscal Consolidation

The G20 commitment on fiscal consolidation, which includes fiscal deficit reduction and debt stabilization, reinforces existing national adjustment plans with international coordination, peer pressure and enhanced surveillance by international institutions. The compliance of advanced G20 economies with these commitments has been high (0.8). However, general government debt levels in some countries are predicted to rise after the 2016 deadline. Progress on fiscal consolidation in emerging G20 economies, which have not committed to the pledge, has been lower, as only three such countries are on track to fully meet the requirements (0.4). Given high levels of general government deficit and debt in some emerging countries, extension of the commitment to more G20 members can be considered (average compliance of all G20 members was assessed at 0.6). However, to avoid any adverse impact on growth, the commitments should be individual to allow for national circumstances.

Russia's Presidency of the G20 in 2013 should promote compliance by all relevant members with the commitment made at the 2012 Los Cabos Summit to identify country-specific targets for the ratio of debt-to-gross domestic product (GDP) beyond 2016 "accompanied by clear strategies and timetables to achieve them". Most importantly, the Russian G20 agenda should help shift the G20's focus to long-term fiscal adjustment measures. The pace of consolidation should take into account the need for measures that enhance growth.

To ensure credibility of the second Accountability Report fiscal consolidation section to be published at the St. Petersburg Summit, the Presidency should advocate inclusion of the data on fiscal indicators assessed, as the Accountability Report as well as MAP report conclusions on compliance should be underpinned by the numbers. Hence, it is particularly important to improve the methodology of assessing fiscal consolidation progress, including elaboration of more precise indicators, such as structural balance. Given that structural balance provides a more precise measure of a country's fiscal account, the use of structural balance targets would enhance "the credibility and viability of medium term adjustment plans". [1] **The G20 could initiate the development of a uniform definition and guidelines for measuring structural balance either through mandating the International Monetary Fund (IMF) or setting up a special task force.**
Table 1.1 summarizes the G20 members' compliance with the commitment.

2. Stimulating Structural Reforms

Structural reforms have become an integral part of the G20 agenda since the Pittsburgh Summit, when this issue was discussed for the first time. Structural reforms implementation in G20 is of special importance as the cornerstone of growth. However, effective implementation has stalled for several reasons. First, the G20 is focused on short-term crisis resolution actions; second, the agenda is dominated by fiscal consolidation debate; third, it is difficult to pin down the drivers of growth which could facilitate faster fiscal consolidation; fourth, there is a trade-off between structural reforms and fiscal consolidation; fifth, short-term costs of structural reforms are exaggerated; finally, there is a lack of understanding on how individual countries domestic structural reform policy can translate into sustainable and balanced growth.

The analysis is carried out on the basis of 104 recommendations on structural reforms, given by the OECD to 18 G20 members (data for Argentina and Saudi Arabia are not available).

G20 members' performance on structural reform commitments differs across the five priority areas. In comparison with financial regulation and infrastructure development, where overall compliance scores are high, structural reforms in the areas of market liberalization, strengthening labor markets and human resource development, and tax reforms remain largely unaddressed at the national level.

The diversity of structural reforms priorities defined by the countries' individual circumstances precludes a one-fits-all list of commitments for all G20 members. However, **given the centrality of the structural reforms to the success of the Framework for Strong, Sustainable and Balanced Growth, G20 should reinforce its direction setting efforts on structural reforms providing scope for individual but coordinated commitments, with a focus on market liberalization and strengthening labor markets. Though the impact of education development policies on reducing macroeconomic imbalances is perceived as comparatively low, this might be true for the short-term perspective, and education should be incorporated into the G20 structural reform agenda, given its role for boosting jobs and growth in the long run.**

Results of the G20 counties' performance on structural reform commitments in the five priority areas are presented in Table 2.2.

3. International Financial Institutions Reform

[1] Fiscal Monitor. Taking Stock. A Progress Report on Fiscal Adjustment. IMF. October 2012. p. 35. http://www.imf.org/external/pubs/ft/fm/2012/02/fmindex.htm.

The G20 has contributed to the International Financial Institutions (IFIs) reforms in several areas, including modernizing governance and representation, reinforcement of surveillance, recapitalization of resources, and strengthening financial safety nets.

The G20 facilitated implementation of 2008 IMF Reforms and elaborated an important realignment of quotas and voting powers in the IMF and World Bank in 2010. While the World Bank reforms were completed almost in time, the October 2012 deadline for IMF reforms was missed, as three G20 countries, including the US, which acceptance is critical, have not ratified the necessary amendments to the IMF Articles of Agreement. Completion of 2010 IMF Reforms is testing the G20 decisions credibility.

Completion of the 2010 Quota Reform should remain an important objective of the Russian G20 Presidency. **Though the success strongly depends on the US actions, coordinated efforts could promote changes in constituency composition, which will help realign the Board, even before the Board Reform becomes effective.**

G20 elaborated a 6% quotas shift in favor of dynamic emerging markets and developing countries (EMDCs), but only 2.8% of quotas will be redistributed towards all EMDCs. At the same time several advanced economies (including Australia, Korea, Czech Republic, Estonia, Iceland, Ireland, Luxembourg, Poland, San Marino, Slovak Republic and Spain) will have their quotas increased and shares of three G20 emerging economies (Argentina, Saudi Arabia and South Africa) will be reduced. This fact emphasizes the importance of further reforms including elaboration of a new quota formula which can better reflect the changing economic landscape. Formal discussions on the formula review in the IMF started less than one year before the set deadline of January 2013 and will need to bridge contradictory positions among the Fund membership.

Given the G20 commitment to completing the next general review of quotas by January 2014, the Russian Presidency could consider both facilitating the process within the financial track, and advance it through a special G20 Working Group, tasked to address the options of the quota formula modifications.

The G20 has taken measures to invigorate surveillance through modernizing international institutions and creating and strengthening existing instruments. Expansion of the Financial Stability Board and its subsequent institutionalization, including cooperation with non-members, are good examples of ensuring a broader consensus on financial regulation reforms affecting the majority of countries. **G20 should ensure that the FSB institutionalization, including its establishment as a legal entity, is finalized in 2013. This will both confirm the FSB role and enhance its capacity in monitoring G20 members' performance in financial regulation reforms as the G20 members are moving from standards development to their implementation in most financial regulation areas.** Given the systemic importance of their economies G20 members focused surveillance on their own actions and possible spillover effects to other countries. At the same time **indicators used in assessing national economic policies are insufficient and need to be strengthened by those relevant to labor and employment, as well as income inequality. The G20 could also promote enforcement measures in the international organizations to prevent conducting irresponsible economic policy.**

The G20 members have added sufficient resources to the IFIs, but countries' contributions differed substantially, given, for example, non-participation of three G20 countries (Canada, Indonesia and the US) in the recent round of the IMF resources increase. The G20 helped to create new financial safety nets, which are more flexible and appropriate during crisis. However, **the review of lending conditions and conditionality needs to be continued.**

G20 decisions implementation on the IFI reform was assessed by analyzing performance of compliance with two types of pledges: individual commitments, which require actions at the national level, and institutional commitments, which are pledges and mandates implemented by G20 as an institution. The level of G20 countries' individual compliance (0.71) was much higher than the level of G20 institutional compliance with collective commitments (0.33). The only area, where G20 collective compliance can be assessed as full, was Surveillance. It is noteworthy that the G20 countries' level of individual compliance with this area (0.65) was below the average and the lowest as compared to other areas. This fact begs an assumption that while the G20 has made substantial progress in reinforcing the surveillance instruments in the IMF and FSB, not all G20 members have fully exercised both existing and new instruments.

Tables 3.1 and 3.2 summarize the G20 compliance with the IFIs reforms.

4. Reforming Financial Regulation

Strengthening financial regulation has been one of the main issues on the G20 agenda since its establishment in the leaders' format in 2008. The agenda is complex and diverse, hence for the sake of streamlining in the analysis the reforms have been nominally split into measures pertaining to the banking sector and non-banking sector reforms.

4.1. Banking Sector

The G20 has succeeded in establishing a comprehensive system for coordination of financial regulation, which involves relevant international institutions, in particular the FSB and the BCBS. Analysis of the regulatory reforms in this sector indicates that the level of compliance on commitments made by the G20 members is relatively high. However, the progress is uneven in different segments of the banking sector. The compliance with the commitments on banking capital and liquidity (0.45) as well as on compensation practices (0.42) improves steadily, with international institutions providing regular updates on the progress made by individual countries. Assessment of progress in adoption of the three Basel banking capital frameworks by G20 members shows that **despite the obvious success in fostering the new standards development, G20 should make additional efforts to enforce the Basel reforms effective implementation.**

The G20 can be credited for its institutional impetus to the Basel Committee on the need to develop new stress testing models, however, **G20 could promote the implementation of an integrated stress testing mechanism by both giving an impulse to further work of relevant international institutions and committing to enforce implementation of an integrated stress testing mechanism at the national level.**

Development of global regulatory requirements in the sphere of compensation practices based on the FSB Principles for Sound Compensation Practices and their Implementation Standards was completed by the Pittsburgh Summit following the G20 Washington decision. However, not all G20 members manage to implement them effectively (average G20 compliance score is 0.42). Thus, **G20 future efforts should be focused on fostering implementation of the agreed compensation practices standards at the national level and involvement of non-G20 countries in the process.**

Progress on creating and ensuring consistent application of high quality global accounting standards stalls. Commitments concerning accounting standards and fair value accounting were reiterated at every G20 summit enabling G20 and international institutions to make significant progress towards a single set of high quality global accounting standards. However, **more efforts will be required for completion of enforcement of the new global accounting standards at the national level. The G20 could promote the process which is crucial for attaining financial market transparency, integrity and accountability by providing an additional impulse to the work of relevant standard-setting and regulatory bodies and encouraging surveillance over their decisions' implementation.**

G20 performance on adopting a single global set of accounting standards is summarized in Table 4.1. G20 members' progress in implementing decisions on banking capital and compensation practices is assessed in Table 4.3.

4.2. Non-Banking Sector

Starting from 2008 the regulation of the non-banking sector of the global economy has undergone profound changes, many of which have resulted from the coordinated efforts of the G20 and international financial institutions to combat the crisis and to prevent risks the global financial system can face in future. Track record of G20 decisions implementation in this sector indicates that progress has been uneven across non-banking sector areas.

A comprehensive set of reforms has been developed for the OTC derivative market. However, data from FSB progress reports (average G20 compliance score with the commitments on OTC reform is 0.03) indicates the **need for G20 to make additional efforts to enforce the effective implementation of the agreed reforms.**

The G20 has succeeded in stimulating the development of new global standards for hedge funds by IOSCO. Meanwhile, there has been little follow up on IOSCO proposals, either in terms of G20 collective actions or a commitment on their implementation **For tangible and transparent progress the G20 should follow up on the implementation of the new standards for hedge funds in coordination with relevant international institutions.**

On credit rating agencies regulation the G20 members' performance has been relatively modest. Measures aimed at strengthening oversight over CRAs were agreed in the London Summit. However, the main problem of national authorities' and financial institutions' mechanistic reliance on credit ratings remains largely unaddressed. Although the FSB started to monitor progress in ending such reliance in accordance with the mandates given at the Toronto and Cannes Summits, **the G20 should retain the issue of national authorities' and financial institutions' mechanistic reliance on credit ratings as a priority until tangible results are achieved.**

There is tangible progress on establishing a global regulatory framework for global systemically important financial institutions. The mechanism proposed by the FSB and approved by the G20, includes measures to prevent global systemically important banks potential failures and minimize costs of their resolution through creating Recovery and Resolution Plans (RRPs) for SIFIs, promoting international cooperation in the area and removing obstacles to resolvability. **Further G20 activities in the area of SIFIs regulation should be connected with the expansion of existing measures to include global systemically important non-banking institutions, as well as adapting these measures to domestic systemically important financial institutions and enforcement of the agreed rules.**

The G20 has contributed to the establishment of the new rules mostly as initiator and endorser of new mechanisms.

The G20 can further promote financial regulation through enforcement of the new rules at the national level and establishment of a monitoring system by relevant international institutions action on the mandate from the G20. Such "leadership by example" can help boost the G20 status as an effective and legitimate global governance forum.

Progress in implementing G20's decisions on SIFIs reform is presented in Table 4.2. G20 members' progress in OTC derivatives market reforms is summarized in Table 4.3.

5. Refraining from Protectionist Measures

The analysis of the G20 compliance with the commitment to refrain from protectionist measures shows that the institution's performance in this sphere has been low. The decisions taken and the commitments made by the leaders did not deter the rise of protectionism in the G20 countries. The G20 mandate to the WTO to monitor the members' trade related measures and the revisiting of the commitment in each summit have not produced the expected effect. Nevertheless the WTO reports have been a positive development providing some degree of transparency on G20 trade related measures. Since the Washington summit (November 2008) to October 2012 the G20 countries adopted more than 715 protectionist measures. On average each country is responsible for 44.69 measures. Individual performance of the G20 members varies from 2 measures adopted by Japan and Saudi Arabia to 92 measures introduced by India and 87 by Indonesia. Manufactured goods have received greatest protection with 468 measures introduced by the members through the period, food and agriculture come second with 124 protectionist measures, services have been the least protected sector with only 11 enacted measures overall.

The recurrence of protectionist actions necessitates supplementing the existing monitoring exercise led by OECD/WTO/UNCTAD/national authorities with diagnostic work aimed to identify the very causes of protectionism in each specific case and the alternatives available for invigorating trade.

Table 5.1 presents the track record of the G20 countries' protectionist measures.

6. Phasing-Out Inefficient Fossil Fuel Subsidies

The analysis of the G20 compliance with the commitment to rationalize and phase-out inefficient fossil fuel subsidies shows that the institution's efforts in this field have been largely undermined by the inability to agree on common terminology, and elaborate a transparent and uniform reporting mechanism. Without these components in place the G20 countries tend to either report no measures subject to phase-out, or report only the measures which have been previously targeted for unrelated reasons, thus contributing to overall poor performance on the commitment. Several countries made certain progress in phasing-out the measures, identified as inefficient. However, IEA report "World Energy Outlook 2011" states that some G20 members still retain subsidies "that appear to be inefficient, encourage wasteful consumption and are regressive, but are not earmarked for phase-out or better targeting".[2]

The G20 should invite expert institutions and relevant international organizations to recommend a common definition of fossil fuel subsidies and criteria for the subsidy efficiency assessment. This may help foster the G20 future agreement on how to proceed further on the commitments stalled by a failure to agree a common definition of fossil fuel subsidies and criteria for the subsidy efficiency assessment.
The dynamics of fossil fuel subsidies' cost evaluation in G20 countries is presented in Tables 6.2 and 6.3.

7. Development

Development commitments implementation analysis findings indicate that though the performance across the areas is uneven, statements that the G20 is not delivering on the development pledges are not valid. The G20 members' average compliance on development is 0.62. The average performance for institutional development commitments, which apply to four spheres: infrastructure, private investment and jobs creation, financial inclusion and food security, is even higher reaching 0.98. G20 compliance scores on each area are presented in Tables 7.4 and 7.5.

7.1. Infrastructure

The G20 has performed well both at the level of individual member states and as an institution on the infrastructure development with the institutional score of 1 and the average for the G20 members of 0.85. **However, despite the high G20 average level of compliance performance on infrastructure commitments, further action is required to stimulate long-term infrastructure investment planning and expand G20 members' participation in implementing infrastructural projects in developing countries. The mandate of the High Level Panel on Infrastructure should be reviewed.**

7.2. Access and availability to trade

The area where progress has been slowest is access and availability to trade with a score of 0.1. This is in line with the low performance on the anti protectionist measure in trade and investment commitment which stands at -0.35 in spite of the G20 reiteration of the pledge at each summit.

There is clearly a scope and a rationale for consolidating the G20 performance on the commitment to improve the access and availability to trade with advanced economies and between developing and low income countries (LICs), given the returns such measures bring in terms of potential economic growth especially in times when fiscal constraints impact assistance budgets. Another lesson from the analysis of this commitment is that to mitigate the effect of the negative measures the G20 should design them in a more careful manner in order to affect fewer developing countries or LICs.

7.3. Private investment and job creation

On the commitment to identify and promote the best existing standards (developmental, social and environmental) for responsible investment in value chains, G20 institutional performance has been high, with the international institutions (UNCTAD, UNDP, ILO, OECD and the World Bank) fulfilling their

[2] World Energy Outlook 2011, IEA. 2011.

respective mandates. Thus G20 exerted a catalytic effect on the international institutions activities, endorsed the outcomes of their work at the Cannes and Los Cabos summits and invited low and middle income countries to implement the proposed recommendations. The G20 members themselves have been more active in identifying and promoting best standards for responsible investment domestically, than internationally. The average score of the G20 members on the individual commitment is 0.8. **Despite the high G20 average level of performance on responsible private investment, further action is required to promote responsible private investment practices domestically and in partner countries.**

7.4. Food Security

On food security the G20 members' compliance with individual commitments has been relatively high with a score of 0.67. The Action Plan on Food Price Volatility and Agriculture objective to strengthen supply chains against price and supply shocks, improve international food assistance procurement and develop risk management tools proved to be the most challenging for the G20 members. Only 6 countries managed to fulfill it (Australia, Brazil, Canada, France, Germany and Japan). Tangible progress has been attained on the objective to improve the functioning of agricultural commodities' derivatives markets, 17 members have fully complied and the average compliance score for G20 is 0.8. Successful actions included issuing of new regulation standards directly affecting the functioning of agricultural commodities derivatives' markets, which was the case in Japan, South Africa, the United States and the European Union.

Individually and collectively G20 should consolidate efforts on strengthening capacity to provide effective and targeted international assistance to the countries in need of humanitarian food aid, including through the mechanisms of multilateral cooperation. Progress on improving the functioning of agricultural commodities' derivatives markets should be sustained. G20 should focus on the regulation enforcement. G20 and IOSCO should continue engagement on surveillance of the agricultural commodities derivatives markets functioning.

The G20 fully complied with collective commitments, with a score of 1. The Agricultural Market Information System (AMIS) has been established and is operational in accordance with its Terms of Reference.[3] The Global Agricultural Geo-Monitoring Initiative is work in progress and Rapid Response Forum can be convened when deemed necessary. PREPARE system (targeted emergency humanitarian reserves system) is due to be launched in 2014.[4] The launch of Agricultural Market Information System (AMIS) is indicative of the G20 and relevant partner institutions determination to finalize the initiatives and bring the institutions to full operation.

The G20 collective actions should continue to focus on completing the launch and ensuring effective functioning of the Global Agricultural Geo-Monitoring Initiative and PREPARE system, in partnership with relevant institutions.

The analysis of the G20 and international organizations' joint work on the food security agenda revealed a high level of performance in this field as well, with a score of 0.8. The G20 acted on 4 out of 5 mandates, selected for assessment. However, in the case of the G20 request to FAO, World Bank, OECD, and the L'Aquila Food Security Initiative (AFSI) to monitor progress and report back at the Summit in France, G20 did not draw on the international organizations' work for taking further actions. **G20 should continue to engage constructively with the international organizations on monitoring progress to identify attainments and gaps. The outcomes of progress monitoring will help in harnessing the full potential of G20 and international organizations to increase agricultural productivity, food availability and mitigate risks of food price volatility.**

7.5. Growth with Resilience

[3] Agricultural Market Information System (AMIS) Terms of Reference, AMIS 16 September 2011. Date of Access: 29 November 2012. http://www.amis-outlook.org/fileadmin/user_upload/amis/docs/Inception_meeting/AMIS_TERMS_OF_REFERENCE.pdf

[4] Emergency Humanitarian Food Reserves. Feasibility Study, Cost-Benefit Analysis and Proposal for Pilot Programme, Food Security Portal 14 September 2011. Date of Access: 29 November 2012. http://www.foodsecurityportal.org/sites/default/files/PREPARE_feasibility_study_and_pilot_proposal.pdf

The average compliance on strengthening social protection programs in developing countries and facilitating the flow of international remittances was relatively low (0.45). All G20 countries except Argentina, India and South Africa have contributed to supporting social protections systems in developing countries. The second component on remittances proved to be more challenging to attain. Average remittance transfer costs in France, Japan and South Africa have increased during the monitoring period. Among six receiving countries only India and Indonesia have taken actions to facilitate remittance flows in line with the World Bank principles.

The G20 could explore elaboration of an action plan to support national programs of social protection systems development in partner countries to be implemented in coordination with relevant international organizations.

The G20 performance on facilitating the flow of international remittances can be consolidated through further recommendations of the World Bank and other organizations based on successful experience of countries which have already reached the set targets or are on track to reaching them.

7.6. Financial Inclusion

On financial inclusion G20 has made steady progress launching the Global Partnership for Financial Inclusion (GPFI) and Small and Medium Enterprises (SME) Finance Forum; implementing SME Finance Challenge and SME Finance Compact initiatives; stimulating global standard-setting bodies engagement; promoting the implementation of the GPFI Progress Report recommendations; drawing on the GPFI propositions in making further commitments on consumer protection and financial literacy, inter alia. **Drawing on the accumulated experience and expertise the G20 should consider making commitments on incorporating successful SME financing models into the national practices, as well as concrete commitments by its members on policy measures stimulating financial inclusion, raising standards of consumer protection and levels of financial literacy.**

7.7. Domestic Resources Mobilization

G20 performance in this area is assessed by analyzing G20 members' actions to help developing countries in improving their tax administration systems and policies, with a view to sustainably increasing public revenue; and highlight the negative relationship between non-cooperative jurisdictions and development. The average score of the G20 members on this commitment is 0.7. However, despite the relatively high G20 average level of performance on domestic resource mobilization, **further action is required to strengthen their tax systems and capacity for tax collection in the developing countries with the aim to build sustainable revenue base. The G20 should continue their efforts on improving the quality and quantity of tax information exchange.**

7.8. ODA and Support to Capacity Building

Performance on the commitment to deliver on the members' respective ODA pledges and assist the poorest countries to mobilize domestic resources has also been modest with a score of 0.35. Given that most progress has been made on support to mobilizing developing countries domestic resources, **the lesson from the analysis is that the G20 could focus on mobilization of domestic resources in partner countries as an important element of its core agenda – economic growth. Discussion of flexible targets for development assistance could be explored, as it will provide an important signal to rest of the development community of the G20 commitment to Millennium Development Goals (MDGs).**

7.9. Multilateral Development Banks Resources Replenishment

The majority of G20 members have fully complied with the commitment on replenishment of the Multilateral Development Banks (MDBs), comprised of committing resources to International Development Association (IDA) and Regional Development Banks (RDBs). Nine G20 countries (all of them are advanced economies) participated in the replenishment of all relevant MDBs. Indonesia, which is a member of only one RDB (Asian Development Bank), has participated in neither IDA, nor AsDB resources replenishments. India has committed resources to the African Development Bank but indicated no pledges to IDA. The European Union, which is a shareholder of only European Bank for Reconstruction and Development (EBRD) and, thus, is not able to provide resources to other MDBs, was not included into the analysis. The average G20 compliance score is 0.79. **The G20 countries, especially emerging economies, need to enhance their participation in regional development banks.**

7.10. Energy Efficiency

The G20 average performance on the commitment has been high with the average score of 0.85. 17 out of 20 members received the maximum compliance score of +1 for taking steps to promote energy efficiency and clean energy technologies both domestically and in other countries. The high level of performance indicates that there is a consensus among the members on the priority of promoting energy efficiency and clean energy technologies in their countries and beyond. However, **further work is required to strengthen the developing countries' capacities and incentives to engage in cooperation and provide support to countries in need of new technologies or energy sector reforms. The analysis reveals an impressive list of policy measures which can be drawn upon for peer learning.**

Table I. G20 Decisions Implementation: Individual Scores

	1. Fiscal Consolidation	2. Structural Reforms	3. IFIs Reform	4. Financial Regulation	5. Protectionism	6. FFS	7. Development	Average
Argentina	–	n/a	-0.17	-0.17	-1	–	0.17	-0.29
Australia	1	0.29	1	-0.08	0	–	0.89	0.52
Brazil	–	0.2	1	0.17	-1	–	0.74	0.22
Canada	1	0.17	0.5	0.42	1	–	1	0.68
China	–	0	1	0.33	-1	–	0.57	0.18
France	1	0.4	1	0.42	-1	–	0.78	0.43
Germany	1	0.5	1	0.42	-1	–	1	0.49
India	–	0	0.17	1	-1	–	0.51	0.14
Indonesia	–	-0.2	0.33	0.17	-1	–	-0.18	-0.18
Italy	1	0.38	0.67	0.42	-1	–	0.49	0.33
Japan	0	0.17	1	1	1	–	0.43	0.60
Korea	1	0.43	0.67	0.17	1	–	0.53	0.63
Mexico	–	0.33	1	-0.25	1	–	0.50	0.52
Russia	–	0.6	0.83	-0.25	-1	–	0.62	0.16
Saudi Arabia	–	n/a	0.67	0.42	1	–	0.51	0.65
South Africa	–	0.2	0.67	-0.33	0	–	0.63	0.23
Turkey	–	-0.2	0.83	-0.42	0	–	0.48	0.14
UK	1	0.5	1	0.42	-1	–	0.84	0.46
US	0	0	0.17	0.50	-1	–	0.98	0.11
EU	1	0.4	1	0.33	-1	–	0.85	0.43
G20 average	0.80	0.24 *	0.71	0.23	-0.35	–	0.62	0.34

– Not applicable.
* Weighted average.

Table II. G20 Decisions Implementation: Institutional Scores

	1. Fiscal Consolidation	2. Structural Reforms	3. IFIs Reform	4. Financial Regulation	5. Protectionism	6. FFS	7. Development	Average
Score	–	–	0.33	0.17	–	–	0.98	0.49

– Not applicable.

Key Recommendations for the G20 Future Agenda

1. Promoting Rebalancing through Fiscal Consolidation

1. Russia's Presidency of the G20 in 2013 should promote compliance by all relevant members with the commitment made at the 2012 Los Cabos Summit to identify country-specific targets for the ratio of debt-to-gross domestic product (GDP) beyond 2016 "accompanied by clear strategies and timetables to achieve them". Most importantly, the G20 Russian agenda should help shift the G20's focus to long-term fiscal adjustment measures. The pace of consolidation should take into account the need for measures that enhance growth.
2. Given that "fiscal sustainability for all G20 members will be assessed by current and projected government debt-to-GDP ratios", including for emerging economies, it seems useful to augment the debt-to GDP downward vector of the Toronto commitment with an assessment of what a sustainable threshold level could be. Such estimation would be especially relevant for ensuring that policy measures aimed at fiscal sustainability do not cause economic contraction.
3. G20 focus should be shifted to long-term measures, including institutional reforms: "fiscal consolidation through higher primary surpluses will have to be a permanent feature of the long term scenario of many advanced countries". A combination of spending and deficit budget rules together with the creation of an independent fiscal watchdog to assess fiscal conditions and compliance with these rules can play an important role in consolidation.
4. To ensure credibility of the second Accountability Report fiscal consolidation section to be published at the St. Petersburg Summit, the Presidency should advocate inclusion of the data on fiscal indicators assessed, as the Accountability Report as well as MAP report conclusions on compliance should be underpinned by the numbers. Hence, it is particularly important to improve the methodology of assessing fiscal consolidation progress, including elaboration of indicators, such as structural balance, which provides a more precise measure of a country's fiscal account. The G20 could initiate the development of a uniform definition and guidelines for measuring structural balance either through mandating the International Monetary Fund (IMF) or setting up a special task force.

2. Stimulating Structural Reforms

5. Given the centrality of the structural reforms to the success of the Framework for Strong, Sustainable and Balanced Growth, G20 should reinforce its direction setting efforts on structural reforms providing scope for individual but coordinated commitments, with a focus on market liberalization and strengthening labor markets. Though the impact of education development policies on reducing macroeconomic imbalances is perceived as comparatively low, this might be true for the short-term perspective, and education should be incorporated into the G20 structural reform agenda, given its role for boosting jobs and growth in the long run.

3. International Financial Institutions Reform

6. Completion of the 2010 Quota Reform should remain an important objective of the Russian G20 Presidency. Though the success strongly depends on the US actions, coordinated efforts could promote further changes in constituency composition, which will help realign the Board, even before the Board Reform becomes effective.
7. Given the G20 commitment to completing the next general review of quotas by January 2014, the Russian Presidency could consider both facilitating the process within the financial track, and advance it through a special G20 Working Group, tasked to address the options of the quota formula modifications.
8. G20 should ensure that the FSB institutionalization, including its establishment as a legal entity, is finalized in 2013. This will both confirm the FSB role and enhance its capacity

in monitoring G20 members' performance in financial regulation reforms as the G20 members are moving from standards development to their implementation in most financial regulation areas.

9. Indicators used in assessing national economic policies need to be strengthened by those relevant to labor and employment, as well as income inequality. The G20 could also promote enforcement measures in the international organizations to prevent conducting irresponsible economic policy.
10. The review of lending conditions and conditionality needs to be continued.

4. Reforming Financial Regulation

4.1. Banking Sector

11. Despite the obvious progress in fostering the new standards development, G20 should make additional efforts to enforce the Basel reforms effective implementation.
12. G20 could promote the implementation of an integrated stress testing mechanism by both giving an impulse to further work of relevant international institutions and committing to enforce implementation of an integrated stress testing mechanism at the national level.
13. G20 future efforts should be focused on fostering implementation of the agreed compensation practices standards at the national level and involvement of non-G20 countries in the process.
14. More efforts will be required for completion of enforcement of the new global accounting standards at the national level. The G20 could promote the process which is crucial for attaining financial market transparency, integrity and accountability by providing an additional impulse to the work of relevant standards setting and regulatory bodies and encouraging surveillance over their decisions' implementation.

4.2. Non-Banking Sector

15. The G20 need to make additional efforts to enforce the effective implementation of the reforms agreed for the OTC derivative market.
16. The G20 should follow up on the implementation of the new standards for hedge funds in coordination with relevant international institutions to ensure tangible and transparent progress.
17. The G20 should keep in focus the issue of national authorities' and financial institutions' mechanistic reliance on credit ratings until tangible results are achieved.
18. Further G20 activities in the area of SIFIs regulation should be connected with the expansion of already existing measures to include global systemically important non-banking institutions, as well as adapting these measures to domestic systemically important financial institutions and enforcement of the agreed rules.
19. The G20 can further promote financial regulation through enforcement of the new rules at the national level and establishment of a monitoring system by relevant international institutions action on the mandate from the G20. Such "leadership by example" can help boost the G20 status as an effective and legitimate global governance forum.

5. Refraining from Protectionist Measures

20. The recurrence of protectionist actions necessitates supplementing the existing monitoring exercise led by OECD/WTO/UNCTAD/national authorities with diagnostic work aimed to identify the very causes of protectionism in each specific case and the alternatives available for invigorating trade.

6. Phasing-Out Inefficient Fossil Fuel Subsidies

21. Given that the G20 failed to advance the progress in this regard, it seems rational that G20 delegate the issue to relevant international institutions and expert community. They should be mandated to elaborate a common definition of fossil fuel subsidies and establish common criteria for the subsidy efficiency assessment. The results of this work can be subsequently presented to the G20 for further consideration.

7. Development

7.1. Infrastructure

22. Despite the high G20 average level of compliance performance on infrastructure commitments, further action is required to stimulate long-term infrastructure investment planning and expand G20 members' participation in implementing infrastructural projects in developing countries. The mandate of the High Level Panel on Infrastructure should be reviewed.

7.2. Access and Availability to Trade

23. There is clearly a scope and a rationale for consolidating the G20 performance on the commitment to improve the access and availability to trade with advanced economies and between developing and low income countries (LICs), given the returns, such measures bring in terms of potential economic growth to the developing countries especially in times when fiscal constraints impact assistance budgets. Another lesson from the analysis of this commitment is that to mitigate the effect of the negative measures the G20 should design them in a more careful manner in order to affect fewer developing countries or LICs.

7.3. Private Investment and Job Creation

24. Despite the high G20 average level of performance on responsible private investment, further action is required to promote responsible private investment practices domestically and in partner countries.

7.4. Food Security

25. Individually and collectively G20 should consolidate efforts on strengthening capacity to provide effective and targeted international assistance to the countries in need of humanitarian food aid, including through the mechanisms of multilateral cooperation. Progress on improving the functioning of agricultural commodities' derivatives markets should be sustained. G20 should focus on the regulation enforcement. G20 and IOSCO should continue engagement on surveillance of the agricultural commodities derivatives markets functioning.
26. The G20 collective actions should continue to focus on completing the launch and ensuring effective functioning of the Global Agricultural Geo-Monitoring Initiative and PREPARE system, in partnership with relevant institutions.
27. G20 should continue to engage constructively with the international organizations on monitoring progress to identify attainments and gaps. The outcomes of progress monitoring will help in harnessing the full potential of G20 and international organizations to increase agricultural productivity, food availability and mitigate risks of food price volatility.

7.5. Growth with Resilience

28. The G20 could explore elaboration of an action plan to support national programs of social protection systems development in partner countries to be implemented in coordination with relevant international organizations.
29. The G20 performance on facilitating the flow of international remittances can be consolidated through further recommendations of the World Bank and other organizations based on successful experience of countries which have already reached the set targets or are on track to reaching them.

7.6. Financial Inclusion

30. Drawing on the accumulated experience and expertise the G20 should consider making commitments on incorporating successful SME financing models into the national practices, as well as concrete commitments by its members on policy measures stimulating financial inclusion, raising standards of consumer protection and levels of financial literacy.

7.7. Domestic Resource Mobilization through Enhancing Sustainability of Public Revenue

31. Further action is required to strengthen tax systems and capacity for tax collection in the developing countries with the aim to build sustainable revenue base. The G20 should continue their efforts on improving the quality and quantity of tax information exchange.

7.8. ODA and Support to Capacity Building

32. G20 should focus on mobilization of domestic resources in partner countries as an important element of its core agenda – economic growth. Discussion of flexible targets for development assistance could be explored, as it will provide an important signal to rest of the development community of the G20 commitment to MDGs.

7.9. Multilateral Development Banks Resources Replenishment

33. The G20 countries, especially emerging economies, need to enhance their participation in regional development banks.

7.10. Energy Efficiency

34. Further work is required to strengthen the developing countries' capacities and incentives to engage in cooperation and provide support to countries in need of new technologies or energy sector reforms. The analysis reveals an impressive list of policy measures which can be drawn upon for peer learning.