MAPPING G20 DECISIONS IMPLEMENTATION

How G20 is delivering on the decisions made

DRAFT REPORT

With support of:

Contents

List of Tables

List of Figures

List of Boxes

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.

The report has been produced with support of the Russian International Affairs Council and the United Nations Development Programme.
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.

Dr. Marina Larionova, Director IORI HSE

Professor John Kirton, Co-director, G20 Research Group

Research Team

Professor John Kirton, Co-director, G20 Research Group
Dr. Marina Larionova, Head, HSE International Organizations Research Institute
Caroline Bracht, Researcher, G20 Research Group
Ella Kokotsis, Director of Accountability, G20 Research Group
Mark Rakhmangulov, HSE Research Team Leader
Andrei Sakharov, HSE Research Team
Andrey Shelepov, HSE Research Team

Analysts at the National Research University Higher School of Economics
Natalia Churkina
Elena Grigorieva
Tatyana Lanshina
Svetlana Nikitina
Yulia Ovchinnikova
Mark Rakhmangulov
Elizaveta Safonkina
Andrei Sakharov
Andrey Shelepov
Nadezhda Sporysheva
Lyudmila Tarasenko
Anna Vekshina
Pavel Zhdanov

Analysts at the University of Toronto
Ahmed Al-Sa'd
Sara Amini
Nayef Andrabi
Kathleen Broschuk
Inesa Buchyn
Julia Deutsch
Elyse Finley
Jennifer Green
Alex Grohovsky
Vanessa Guidorizzi
Atifa Hasham
Julia Hein
Kevin Hong
Rezwana Islam
Alec Khachatrian
Amy Kishek
Sophie Langlois
Michelle Li
Selena Lucien
Maria Marini
Baillie McGurn
Vy Nguyen
Jeffrey Neto
Oluwaseun Onasanya
Ashley Periera
Misha Potrykus
Leanne Rasmussen
Samantha Rudick
Dilbar Sadykova
Zaria Shaw
Jennifer Vlasiu
Sabina Voicu
Angela Zhang
Zhiying Zhang

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**

[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.

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

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

[2] World Energy Outlook 2011, IEA. 2011

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 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

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

---

[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

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.

1. Promoting Rebalancing through Fiscal Consolidation

The G20 commitment on fiscal consolidation, which is comprised of fiscal deficit reduction and debt stabilization components, reinforces existing national adjustment plans with international coordination, peer pressure and enhanced surveillance from international institutions. Advanced G20 economies compliance with these commitments has been high (0.8). However general government debt levels in some countries can rise after the 2016 deadline. Fiscal consolidation progress in emerging G20 economies, which have not committed to the pledge, has been lower (0.4), as only three such countries are on track to fully meet its requirements. Given high levels of deficit and debt in some emerging countries extension of the commitment to more G20 members can be considered. If compliance of all G20 members wih both parts of the commitment is assessed the average score is 0.6. However, to avoid adverse impact on growth the commitments should be individual taking into consideration national circumstances. The Russian G20 Presidency should seek to promote compliance by all relevant members with the Los Cabos summit commitment on identification of country-specific targets for the debt-to-GDP ratio beyond 2016 "accompanied by clear strategies and timetables to achieve them". The agenda should help shift the G20 debate focus to long-term fiscal adjustment measures, including institutional reforms. The IMF surveillance methodology as well as G20 accountability reporting procedures can be improved.
Table 1.2 summarizes the G20 members' compliance performance with the commitment.

At the first G20 summit it was emphasized that the urgent fiscal measures to stimulate domestic demand should be accompanied by "maintaining a policy framework conducive to fiscal sustainability".[5] At the London summit the leaders committed to "put in place credible exit strategies from the measures that need to be taken now to support the financial sector and restore global demand". [6] The Pittsburgh summit confirmed this commitment, noting that the extraordinary policy support will be withdrawn by the members "in a cooperative and coordinated way". It was recognized that the scale, timing, and sequencing of "exit" will vary "across countries or regions and across the type of policy measures".[7]

The first specific commitment on fiscal consolidation was made at the Toronto summit in 2010. Emphasizing the risk of a "synchronized fiscal adjustment across several major economies", which could adversely impact the recovery, advanced G20 economies (Australia, Canada, France, Germany, Italy, Korea, UK and US) committed to halve deficits by 2013 and stabilize or reduce government debt-to-GDP ratios by 2016.[8] A reservation on special circumstances of Japan (its state debt is higher than 200% of GDP) exempted it from this commitment and called for implementation of fiscal consolidation within the national growth strategy. According to the commitment fiscal consolidation plans should be "credible, clearly communicated, differentiated to national circumstances, and focused on measures to foster economic growth". [9] The commitment was not explicit on the measure of deficit. Given that General Government Overall Balance and Gross Debt indicators are used by the IMF and G20, this report relies on these indicators.

The fact that only advanced G20 countries made a commitment on fiscal consolidation was justified by higher average levels of general government deficit and debt in these countries than in emerging ones in 2010 (8.2% and 3.5% for deficit; 104.4% and 41.6% for debt). Only one

[5] Declaration of the Summit on Financial Markets and the World Econom. November 15, 2008. http://www.g20.utoronto.ca/2008/2008declaration1115.html.
[6] Global Plan for Recovery and Reform. Statement Issued by the G20 Leaders. Aprll 2, 2009. http://www.g20.utoronto.ca/2009/2009communique0402.html.
[7] G20 Leaders Statement: The Pittsburgh Summit. September 24-25, 2009. http://www.g20.utoronto.ca/2009/2009communique0925.html.
[8] The G20 Toronto Summit Declaration. June 27, 2010. http://www.g20.utoronto.ca/2010/to-communique.html.
[9] Ibid.

emerging economy, India had deficit higher than the G20 average. At the same time one advanced economy, Korea, had surplus budget (Table 1.1.).

Table 1.1. G20 Members Fiscal Balances in 2010

	General Government Balance, % GDP		Gross Debt, % GDP
US	-10.5	Japan	220
UK	-9.9	Italy	119
Japan	-9.3	*Advanced G20*	*104.4*
India	-8.9	US	94.4
Advanced G20	*-8.2*	*EU*	*77.5*
France	-7.1	Germany	84
EU	*-6.9*	Canada	84
G20	*-6.2*	France	82.4
Canada	-5.6	*G20*	*77.8*
South Africa	-5.1	UK	75.5
Australia	-4.9	India	67.3
Italy	-4.5	Brazil	66.8
Germany	-4.3	Argentina	49.1
Mexico	-4.3	Mexico	42.9
Russia	-3.5	Turkey	42.2
Emerging G20	*-3.5*	*Emerging G20*	*41.6*
Turkey	-2.9	South Africa	34.8
Brazil	-2.8	China	33.8
China	-2.3	Korea	33.4
Argentina	-1.6	Indonesia	27.4
Indonesia	-1.2	Australia	20.5
Korea	1.7	Russia	11.7
Saudi Arabia	6.7	Saudi Arabia	9.9

Source: Fiscal Monitor. As Downside Risks Rise, Fiscal Policy Has To Walk a Narrow Path // International Monetary Fund. January 2012. URL: http://www.imf.org/external/pubs/ft/fm/2012/update/01/fmindex.htm; World Economic Outlook Database, October 2010.

The Seoul summit confirmed this commitment and added that the fiscal consolidation plans should be ambitious.[10] One of the summit achievements was adoption of the action-oriented plan with each member's concrete policy commitments on several agenda priorities, including fiscal consolidation. However, these individual commitments were not detailed and of course do not substitute national fiscal consolidation plans, which the Toronto commitment provided for.[11]

Fiscal consolidation measures were included as the first clause in the six-point Cannes Action Plan for Growth and Jobs adopted in November 2011. It was emphasized that fiscal consolidation plans "are key to reducing current account deficits, which will further promote global rebalancing in a number of large countries".[12] It should be noted that India, which is the G20 emerging economy with the largest deficit and debt, indicated its fiscal consolidation commitment together with advanced economies.

[10] The Seoul Summit Document. November 12, 2010. http://www.g20.utoronto.ca/2010/g20seoul-doc.html.
[11] Policy Commitments by G20 Members, November 12, 2010. http://www.g20.utoronto.ca/2010/g20seoul-commitments.pdf.
[12] Cannes Action Plan for Growth and Job. November 4, 2011. http://www.g20.utoronto.ca/2011/2011-cannes-action-111104-en.html.

At the Los Cabos summit the commitment was reaffirmed and the G20 leaders reiterated that fiscal consolidation should not hamper economic growth restoration. In particular, the US stated it would "calibrate the pace of its fiscal consolidation", so that "a sharp fiscal contraction in 2013 is avoided".[13] The US also committed to place "its federal debt-to-GDP ratio on a firm downward path by 2016". One of the summit major achievements was the commitment to "identify credible and ambitious country-specific targets for the debt-to-GDP ratio beyond 2016, where these do not currently exist, accompanied by clear strategies and timetables to achieve them".[14]

The International Monetary Fund (IMF) has been mandated to carry out surveillance of fiscal consolidation progress in G20 countries and beyond. With a caveat that there are several limitations in the IMF methodology (See Box 1), the assessment of G20 members' compliance has made use of the IMF data biannually published in the Fiscal Monitor (usual publications are tied to the IMF-World Bank Annual and Spring Meetings and are sometimes complemented by special updates in January and July).[15]

Box 1. Strengths and Limitations of the Existing Methodology of Fiscal Balance Assessment

1. The IMF uses its staff projections, "which assume likely policies, not authorities' official plans". They are based on the information gathered by the IMF country missions and through "ongoing analysis of the evolving situation in each country". "Historical data are updated on a continual basis as more information becomes available". As a result, Fiscal Monitor data can differ from other official sources, including the IMF International Financial Statistics. This approach presumably allows making a less biased forecast, but leads to the situation when indicators, including for past years, can substantially change from one report to another.
2. The average current year forecast error in IMF projections of the 2010 fiscal balance is 0.5 percent of GDP. Thus, a projection error margin of +/-0.5 percentage point (pp) of GDP is allowed in assessing deficit commitment compliance.
3. The IMF primarily uses Overall Balance and Primary Balance to measure a country's fiscal situation. At the same time the Fund points out that a "more precise measure of the underlying position of the fiscal accounts" would be a Structural Balance indicator, which excludes non-recurrent effects that go beyond the output cycle (one-time discretionary measures, such as asset sales, and beyond the-output-cycle effects, or cyclical fluctuations that do not coincide with the output cycle, such as changes in commodity prices or asset prices).[16] This specification is especially important for commodity exporters and financial centers. However, the comparability of structural balance is limited by "the lack of a uniform definition of one-time or beyond-the-cycle measures", which leaves a "significant degree of subjective judgment".[17] **The G20 could promote developing of such definition and precise estimation guidelines either through mandating IMF or setting up a special task force.**
4. According to the IMF materials the US is the only country which authorities stated that the Toronto commitment is understood in terms of halving the US federal government deficit (which is the narrowest measure of fiscal balance) not the general government. No explicit official explanation of this exception has been found, however it is mentioned in the US individual commitments to three last summits.

Since 2010 all advanced G20 economies adopted their plans on fiscal consolidation (some countries had such plans before the Toronto summit). These plans are either integrated in the

[13] G20 Leaders Declaration. June 19, 2012. http://www.g20.utoronto.ca/2012/2012-0619-loscabos.html.
[14] The Los Cabos Growth and Jobs Action Plan. June 19, 2012. http://www.g20.utoronto.ca/2012/2012-0619-loscabos-actionplan.html.
[15] Fiscal Monitor // International Monetary Fund. URL: http://www.imf.org/external/ns/cs.aspx?id=262
[16] Fiscal Monitor. Taking Stock. A Progress Report on Fiscal Adjustment. IMF. October 2012. p. 37. http://www.imf.org/external/pubs/ft/fm/2012/02/fmindex.htm.
[17] Ibid.

budgets or adopted as separate documents. Some countries' timelines of consolidation span the periods beyond the deadlines indicated in the commitment.[18]

The pace of these plans implementation substantially differs from country to country. The majority of G20 member-countries improved their fiscal balances (major gains among deficit countries have been achieved in Germany, US and France: 3.7 pp, 2.5 pp and 2.4 pp respectively). Russia is the only country which managed to turn deficit budget to a surplus one in 2012 (however, IMF forecasts that it will run deficit again starting from 2014). Argentina's general government deficit increased substantially (3.3%). Deficit increases of India, Indonesia and South Africa were within the error margin of 0.5 pp (Figure 1).

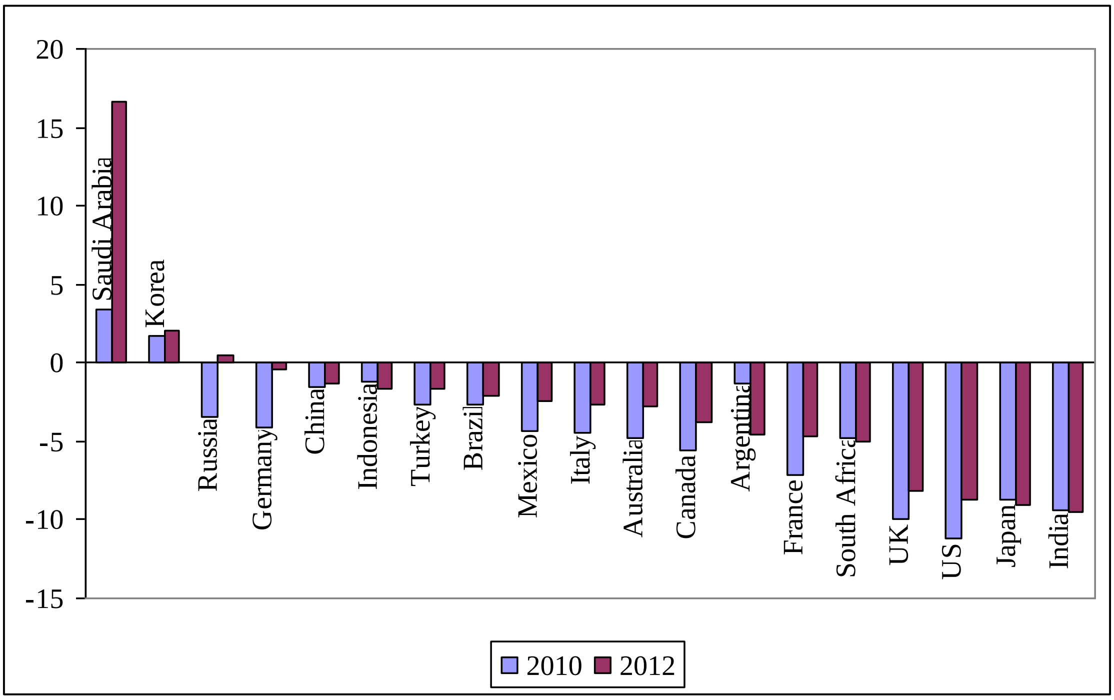

Figure 1. G20 Members General Government Balance in 2010 and 2012
(% to GDP)

Debt-to-GDP ratios increased in most G20 member-countries with Japan, UK and US at the top (21.3 pp, 13.7 pp, 8.6 pp respectively). Only several emerging economies managed to decrease their debt levels with China as the top-performer with 11.3 pp. (Figure 2).

[18] Fiscal Monitor. Addressing Fiscal Challenges to Reduce Economic Risks. September 2011. IMF. http://www.imf.org/external/pubs/ft/fm/2011/02/fmindex.htm.

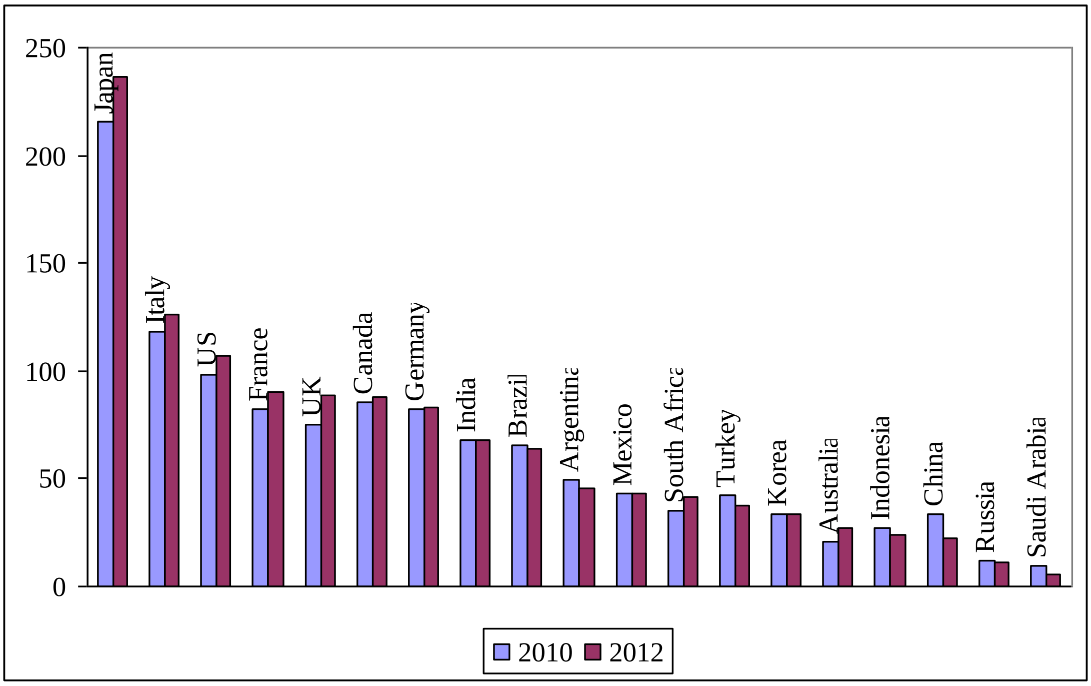

Figure 2. G20 Members Gross Debt in 2010 and 2012
(% to GDP)

The assessment of G20 compliance with fiscal consolidation commitment is in line with the findings of the IMF MAP report published in June 2012. The MAP report stated that Australia, Canada, France, Germany and Italy were on track to fully comply with the Toronto commitment and the UK and US were meeting this commitment's part on debt stabilization (for US federal debt was assessed). However if cyclically-adjusted measure is used as specified in the Los Cabos Accountability Assessment Report[19] , the UK is on track to meet its 2013 deficit objective of the Toronto commitment. Framework Working Group Report to G-20 Ministers and Governors: An Enhanced Accountability Assessment -- Interim Report stated that "for the Accountability Assessment, and in line with the fiscal plan referred to in the Toronto Statement, the UK will be assessed using its cyclically adjusted primary balance, and using a target based on the Spring 2010 WEO".[20]

Table 1.2 summarizes the latest available data and forecasts for G20 countries and the European Union. Korea will remain a surplus country for the whole available period. Australia, Canada, France, Germany, Italy will meet the Toronto commitment requirements in both deficit and debt components. However, Canada complies with commitment on deficit only if the error margin of 0.5 pp is applied. The US will partially comply with the commitment as it is forecasted to be on track in stabilizing the debt-to-GDP ratio. At the same time the US will reduce its deficit but the level will be still much higher than the Toronto target. It should be also noted that according to the June 2012 MAP report "while the US meets technically the 2016 debt target for the federal government, debt is increasing again thereafter, highlighting the need for a credible medium-term plan". The UK is forecasted to miss the 2013 Toronto target if general government overall balance is used for estimation but is on track to full compliance if measured against cyclically adjusted primary balance.

Japan, which was exempted from the Toronto commitment, adopted its national medium-term plan that provides for the following actions: reducing the primary deficit by half from 2010 to

[19] The Los Cabos Growth and Jobs Action Plan. Annex B: The Los Cabos Accountability Assessment. 19 June 2012. http://www.g20.utoronto.ca/2012/2012-0619-loscabos-actionplan.html.
[20] Framework Working Group Report to G-20 Ministers and Governors: An Enhanced Accountability Assessment -- Interim Report on Measures of Progress. November 5, 2012. http://en.g20.ria.ru/load/780982074.

2015; achieving a primary surplus by 2020; and reducing the debt-to-GDP ratio from 2021.[21] Taking into account the error margin of 0.5 pp Japan is forecasted to meet its commitment on reducing primary deficit by 2015. As the data for 2021 is not available, compliance with this component can not be assessed, but the upward trend of debt accumulation till 2017 questions its likelihood.

The need for US and Japan to take additional measures towards fiscal sustainability was noted by the International Monetary and Financial Committee meeting in October 2012. At the same time it was emphasized that fiscal policy should be "as growth-friendly as possible".[22]

According to the IMF World Economic Database the EU member-states will halve their 2010 average fiscal deficit by 2013 and will be decreasing average debt level starting from 2015. Thus it has been awarded a score of +1. The EU has also taken active measures to ensure compliance with this commitment and surveillance of its implementation by the member-states. For example, the European Fiscal Compact signed on 2 March 2012 provides for penalty payments up to 0.1% of GDP for countries with general government deficits exceeding 3% of GDP and general government debt exceeding 60% of GDP, which do not take appropriate corrective measures. Non-compliance of each country has to be defined by the European Court of Justice.[23] Examples of "countries setting up independent bodies with mandates that include monitoring of fiscal policies or the implementation of fiscal rules, and raising public awareness of fiscal issues" include the UK Office for Budget Responsibility, established in 2010.[24]

Although the Toronto commitment is not extended to emerging G20 economies, it is important to assess their compliance as some countries have high levels of deficits and debts. If Toronto commitment terms are applied, compliance of almost all emerging economies can be assessed as full. Russia and Saudi Arabia have surplus budgets (however both budgets' surplus will start decreasing in 2014 and this will lead to a deficit Russian budget in 2014 and a minor surplus of 0.6% in Saudi Arabia in 2017). But Russia is the only emerging country which general government debt will be constantly increasing starting in 2014 thus it partially complies with the commitment, though its debt ratio is and will remain among the lowest in the G20. Brazil, China and Mexico are on track to fully comply with the commitment (but with the tolerance margin applied to the first two countries). Argentina, India, Indonesia, South Africa and Turkey will manage to stabilize or reduce their debt-to-GDP ratios but will fail to reduce deficit by half in 2013.

Table 1.2. summarizes the G20 members' compliance performance with the commitment.

In the coordination of efforts aimed at balancing global economy the G20 members should take into account that "large and protracted fiscal consolidation" can exacerbate "the increase in income inequality accompanying the downturn in growth".[25] Studies confirm that "income inequality tends to rise during periods of fiscal adjustment, especially when the adjustment is based on a retrenchment in spending, although the distributional impact of a delayed consolidation resulting in an eventual debt crisis could be even worse".[26] Thus, as some experts suggest, the G20 focus should not be on short-term fiscal consolidation which can potentially cause economic contraction and has "unproven benefits for credibility and long-run

---

[21] Fiscal Management Strategy. Executive Summary// National Policy Unit of Japan. 22 June 2010. URL: http://www.npu.go.jp/policy/policy01/pdf/20100623/20100622_zaiseiuneisenryaku_gaiyou_eigo.pdf.

[22] Communiqué of the Twenty-Sixth Meeting of the International Monetary and Financial Committee. http://www.imf.org/external/np/sec/pr/2012/pr12391.htm.

[23] Treaty on Stability, Coordination and Governance in the Economic and Monetary Union, 2 March 2012. http://european-council.europa.eu/media/639235/st00tscg26_en12.pdf.

[24] Fiscal Monitor. Taking Stock. A Progress Report on Fiscal Adjustment. IMF. October 2012. p.24. http://www.imf.org/external/pubs/ft/fm/2012/02/fmindex.htm.

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

[26] Ibid.

sustainability”.[27] The 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”.[28] 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.[29]

The Russian G20 Presidency should seek to promote compliance by all relevant members with the Los Cabos summit commitment on identification of country-specific targets for the debt-to-GDP ratio beyond 2016 “accompanied by clear strategies and timetables to achieve them”. The agenda should help shift the G20 debate focus to long-term fiscal adjustment measures, including institutional reforms.

Given that “fiscal sustainability for all G20 members will be assessed by current and projected government debt-to-GDP ratios”, including for emerging economies, as indicated in the Interim report on Enhanced Accountability Assessment of the Framework Working Group of November 5, 2012, 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.

Thus, as some experts suggest, the 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”.[30] **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.**[31]

Russian Finance Minister has already stated that fiscal consolidation policy should be conducted by all countries, including those with low debt levels (Russia was mentioned explicitly).[32] Given high deficit and debt levels in several emerging G20 economies the Russian Presidency can promote extension of the fiscal consolidation commitment to certain emerging economies. However, to avoid adverse impact on growth the commitments should be individual taking into consideration national circumstances.

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, which can be promoted by the G20 either through mandating IMF or setting up a special task force.

---

[27] Alan J. Auerbach. Fiscal Consolidation and Fiscal Sustainability. G20 Seminar on Challenges and Opportunities of the Global Economy. September 22, 2012. http://www.g20mexico.org/images/stories/canalfinan/challenges/alan_auerbach.pdf.

[28] Pier Carlo Padoan. The Short Term, the Long Term, and How to Get From Here to There. Conference ‘International Cooperation in Times of Global Crisis: Views from G20 countries’. October 19, 2012. http://www.bruegel.org/fileadmin/bruegel_files/Events/Presentations/121018_G20_conference_Moscow/Keynote_speech_Pier_Carlo_Padoan_01.pdf.

[29] OECD Economic Outlook. Volume 2010/2. Chapter 4. http://www.oecd.org/eco/monetaryandfinancialissues/46435606.pdf.

[30] Pier Carlo Padoan. The Short Term, the Long Term, and How to Get From Here to There. Conference ‘International Cooperation in Times of Global Crisis: Views from G20 countries’. October 19, 2012. http://www.bruegel.org/fileadmin/bruegel_files/Events/Presentations/121018_G20_conference_Moscow/Keynote_speech_Pier_Carlo_Padoan_01.pdf.

[31] Ibid.

[32] A. Siluanov’s Statements to the Mass-Media. 23.04.2012. http://www1.minfin.ru/ru/press/speech/index.php?id4=16160.

Table 1.2. G20 Members Compliance with the Fiscal Consolidation Commitment

	General Government Overall Balance										Gross Debt									Total Score
	2010	2011	2012	2013 Toronto target	2013	2014	2015	2016	2017	Score	2010	2011	2012	2013	2014	2015	2016	2017	Score	
Australia	-4.8	-4.4	-2.8	-2.4	-1	-0.3	0.1	0.3	0.4	1	20.5	24.2	27.1	27.2	26.4	24.7	22.9	21.2	1	1
Canada*	-5.6	-4.4	-3.8	-2.8	-3	-2.2	-1.4	-1	-0.7	1	85.1	85.4	87.5	87.8	84.6	82.3	80.3	78.1	1	1
France	-7.1	-5.2	-4.7	-3.55	-3.5	-2.8	-2.1	-1.1	0	1	82.3	86	90	92.1	92.9	92.3	90.1	86.5	1	1
Germany	-4.1	-0.8	-0.4	-2.05	-0.4	-0.3	-0.1	0	0	1	82.4	80.6	83	81.5	79.6	77.6	75.8	73.7	1	1
Italy	-4.5	-3.8	-2.7	-2.25	-1.8	-1.6	-1.4	-1.2	-0.7	1	119	120	126	128	127	126	123	121	1	1
Japan**	-8.7	-8.9	-9	-4.35	-7.9	-5.7	-4.6	-3.8	-3.7	1	215	230	237	245	246	248	249	250	-1	0
Korea	1.7	1.8	2	0.85	2.7	2.8	2.9	2.9	2.9	1	33.4	34.2	33.5	31.6	29.4	27.2	25.2	23.2	1	1
UK	-9.9	-8.5	-8.2	-4.95	-7.3	-5.8	-4.3	-2.8	-1.7		75	81.8	88.7	93.3	96	96.6	95.8	93.7	1	1
UK (CAPB) ***	-6.1	-3.9	-2.8	-3.05	-1.5	-0.2	0.7	1.7	2.4	1										
US	-11	-10	-8.7	-5.6	-7.3	-5.6	-4.6	-4.5	-4.4	-1	98.6	103	107	112	114	114	114	114	1	0
EU	-6.5	-4.5	-3.9	-3.2	-3.2	-2.6	-2	-1.4	-0.9	1	79.3	82.1	87.2	88.8	88.8	87.9	86.3	84.1	1	1
G7	**-9**	**-7.8**	**-7.2**		**-6.1**	**-4.7**	**-3.9**	**-3.5**	**-3.3**		**115**	**120**	**125**	**129**	**130**	**129**	**129**	**128**		
G20 advanced ****	**-8.5**	**-7.4**	**-6.7**		**-5.6**	**-4.3**	**-3.5**	**-3.1**	**-2.9**		**109**	**113**	**118**	**121**	**122**	**122**	**121**	**119**		**0.8**
Argentina	-1.3	-3	-4.6	-0.65	-2.5	-1.8	-2.2	-1.8	-1.5	*-1*	49.2	44.9	45.2	42.8	42.5	41.6	40.8	39.8	*1*	*0*
Brazil*	-2.7	-2.6	-2.1	-1.35	-1.6	-2	-1.9	-1.8	-1.7	*1*	65.2	64.9	64.1	61.2	58.9	57.3	55	54	*1*	*1*
China*	-1.5	-1.2	-1.3	-0.75	-1	-0.6	-0.1	0.3	0.8	*1*	33.5	25.8	22.2	19.6	17.3	15	12.6	10.1	*1*	*1*
India	-9.4	-9	-9.5	-4.7	-9.1	-8.9	-8.7	-8.5	-8.4	*-1*	68	67	67.6	66.7	65.6	65.1	64.7	64.3	*1*	*0*
Indonesia	-1.2	-0.8	-1.6	-0.6	-2	-2	-2	-2	-2	*-1*	26.9	24.5	23.9	22.2	20.9	19.8	18.9	18.2	*1*	*0*
Mexico	-4.3	-3.4	-2.4	-2.15	-2.1	-2	-2	-2	-2	*1*	42.9	43.8	43.1	43.2	43.2	43.1	43	42.9	*1*	*1*
Russia	-3.5	1.6	0.5	-1.75	0.2	-0.6	-1.6	-2.6	-3.5	*1*	11.8	12	11	9.9	10.8	11.5	13	12.9	*-1*	*0*
Saudi Arabia	3.4	14	16.6	1.7	11.2	8.9	6.4	3.1	0.6	*1*	9.8	6.1	5.5	5.3	5.2	5	4.8	4.6	*1*	*1*
South Africa	-4.8	-4.6	-5	-2.4	-4.7	-4.2	-3.3	-2.3	-1.3	*-1*	35.3	38.8	41.2	43.3	44.9	45.2	44.2	41.9	*1*	*0*
Turkey	-2.7	-0.2	-1.7	-1.35	-1.9	-1.7	-1.5	-1.5	-1.3	*-1*	42.4	39.3	37.7	36.7	36.3	36.3	36.2	36.1	*1*	*0*
G20 emerging	**-2.9**	**-1.6**	**-1.7**		**-1.6**	**-1.6**	**-1.6**	**-1.5**	**-1.4**		**40.2**	**36**	**33.5**	**31.3**	**29.8**	**28.4**	**27**	**25.5**		**0.4**
G20																				**0.6**

Source: Fiscal Monitor. Taking Stock. A Progress Report on Fiscal Adjustment. IMF. October 2012. pp. 77, 80, 81, 84; World Economic Outlook Database, October 2012

– Not applicable.

* A country satisfies the Toronto Commitment component on deficit reduction within an error margin of +/- 0.5 percentage point of GDP.

** Japan's national growth strategy commitments were used to assess compliance. Primary balance was used instead of general government balance. Target years are 2015 for deficit reduction and 2021 for debt level stabilization.

*** Estimation is made on the basis of cyclically adjusted primary balance according to the UK national commitment agreed by other G20 members.

**** Aggregates refer to the country members and do not include the EU aggregate.

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 is 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.

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, 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.

Structural reforms have been present on the G20 agenda from the 2009 summit in Pittsburgh, when the G20 leaders committed to «make decisive progress on structural reforms that foster private demand and strengthen long-run growth potential».[33] Later on, this commitment was confirmed at every G20 summit. In Toronto it was reiterated in virtually unchanged form. At the Seoul summit leaders identified the priority areas:

- «Product market reforms to simplify regulation and reduce regulatory barriers in order to promote competition and enhance productivity in key sectors;

- Labor market and human resource development reforms, including better targeted benefits schemes; education and training to increase employment in quality jobs, boost productivity and thereby enhance potential growth.

- Tax reform to enhance productivity by removing distortions and improving the incentives to work, invest and innovate.

- Green growth and innovation oriented policy measures to find new sources of growth and promote sustainable development.

- Reforms to reduce the reliance on external demand and focus more on domestic sources of growth in surplus countries while promoting higher national savings and enhancing export competitiveness in deficit countries.

[33] The Leaders Statement: The Pittsburgh Summit // G20 Information Centre. 25.09.2009. URL: http://www.g20.utoronto.ca/2009/2009communique0925.html

- Reforms to strengthen social safety nets such as public health care and pension plans, corporate governance and financial market development to help reduce precautionary savings in emerging surplus countries.

- Investment in infrastructure to address bottlenecks and enhance growth potential».[34]

At the Cannes Summit G20 leaders reiterated previously made commitments on structural reforms, with special emphasis on creating jobs to tackle unemployment. In addition, the Cannes Action Plan contains a number of individual commitments on structural reforms among other issues. The structural reform priorities reflect the differentiated national circumstances of the G20 members.[35]

The Los Cabos Summit documents stress the commitment of all G20 members to implement structural reforms aimed at strengthening global demand, creating jobs, global rebalancing and improving the potential for economic growth.[36] The Los Cabos Growth and Jobs Action Plan offers a number of new directions for structural reforms in the areas of market liberalization, strengthening social protection, labor market and tax systems reform, and infrastructure development. A distinctive feature of structural reform agenda in Los Cabos was the inclusion of «green growth» issues.[37]

The G20 decisions on structural reforms focus on three areas, with a vast majority on financial regulation and market liberalization. Fewer commitments have been made on labor market reforms and human capital development, and the number of HR development commitments has reduced since the Cannes Summit.[38] The smallest number of structural reform commitments dealt with tax reforms and infrastructure development. Overall, the relative number of commitments on financial market reforms, as well as reforms aimed at strengthening labor market agreed by G20 has increased.[39]

Advanced G20 countries more actively pursue labor market reforms. Developing G20 counties tend to focus on financial regulation, market liberalization and infrastructure development. Countries with current account surplus focus on actions aimed at increasing internal demand. Countries with current account deficit try to maintain fiscal balance reforming the public sector and increase employment and productivity (see Table 2.1).

Table 2.1. Type of economy and structural reform priorities

Type of economy	**Structural reform priorities**
Advanced economies	Labor market reforms, market liberalization, financial regulation
Developing economies	Market liberalization, financial regulation, infrastructure development, tax system reforms.
Countries with current account surplus	Strengthening social protection, stimulating competitiveness, equal development opportunities for all industries, including those not producing goods for export. Main objective – increasing internal demand.

[34] The Seoul Summit Document // G20 Information Centre. 12.11.2010. URL: http://www.g20.utoronto.ca/2010/g20seoul-doc.html
[35] Cannes Action Plan for Growth and Jobs // G20 Information Centre. 04.11.2011. URL: http://www.g20.utoronto.ca/2011/2011-cannes-action-111104-en.html
[36] G20 Leaders Declaration // G20 Information Centre. 19.06.2012. URL: http://www.g20.utoronto.ca/2012/2012-0619-loscabos.html
[37] The Los Cabos Growth and Jobs Action Plan // G20 Information Centre. 19.06.2012. URL: http://www.g20.utoronto.ca/2012/2012-0619-loscabos-actionplan.html
[38] These two areas are united into one in the analysis.
[39] Pursuing Strong, Sustainable and Balanced Growth: A Note on Implementation of G20 Structural Reform Commitments // Organization for Economic Co-operation and Development. 06.2012. URL: http://www.oecd.org/dataoecd/21/41/50635983.pdf

Countries with current account deficit	Increasing employment and productivity, reforming the public sector, maintaining fiscal balance. Main objective – lower dependence on external markets.

Source: Economic Policy Reforms 2012: Going for Growth // OECD Publishing. 24.02.2012. URL: http://dx.doi.org/10.1787/growth-2012-en

The difference between structural reform priorities among developed and developing countries highlights the significance of the G20's engagement in this sphere, as this institution includes both advanced and emerging economies and thus can provide coordination between them.

«Structural reform commitments are particularly difficult to assess, in part due to the length of time it takes to implement them and witness their effects».[40] Their implementation is tracked in national documents, while G20 working groups and the OECD carry out monitoring of structural reform implementation[41]. The OECD «Going for Growth 2012» report reviews the progress in structural reforms implementation since the beginning of the global crisis up to 2011, thus it has been used for assessment of G20 members performance in implementing structural reform commitments.[42] The OECD report emphasizes that structural reforms in market liberalization, tax system reforms and education and labor market development will be greater if accompanied by reforms in other spheres, particularly in the banking sector and in infrastructure, increasing investor confidence and enhancing long-term growth potential respectively. Thus G20 members' performance on strengthening financial regulation and infrastructure development is included into the analysis. 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). It would not be an overstatement to say that analysis of the full scope of structural reforms implemented at the national level within the G20 can become a subject for a separate study.

The assessments methodology is based on a three-point scale. The score of 1 means G20 member full compliance with the commitment made, the score of 0 indicates partial compliance or ongoing work, the score of -1 means lack of compliance, or taking actions directly opposite to the objective of the commitment. Results of the comparative analysis of the counties' performance on structural reform commitments in the five priority areas are presented in Table 2.2. The G20 average for all areas is 0.26. The top performers are Germany, UK and Russia, followed by the EU, France and Korea. Indonesia and Turkey have the lowest performance with negative scores. The performance is lowest on market liberalization measures at 0.03. Strengthening labor market and education development performance is 0.31. Compliance on financial regulation is highest, however, it should be noted that the OECD assessment includes only 5 recommendations in this area. Nevertheless, this result is very much in line with the findings of compliance performance on financial regulation for banking and non-banking sectors presented in the respective sections of the report.

[40] The Los Cabos Growth and Jobs Action Plan // G20 Information Centre. 19.06.2012. URL: http://www.g20.utoronto.ca/2012/2012-0619-loscabos-actionplan.html

[41] The OECD «Going for Growth» annual reports contain recommendations on structural reform priorities to individual states, and assessments of progress in their implementation at the country level.

[42] Economic Policy Reforms 2012: Going for Growth // OECD Publishing. 24.02.2012. URL: http://dx.doi.org/10.1787/growth-2012-en

Table 2.2. Structural reforms implementation in G20 by countries

	Strengthening labor market and development of education		Market liberalization		Tax reforms		Infrastructure development		Financial regulation		Other		Total	
	No. of measures	Av. score	No. of measures	Av. score	No. of measures	Av. score	No. of measures	Av. score	No. of measures	Av. score	No. of measures	Av. score	No. of measures	Av. score
Australia	4	0.5	1	-1	1	0	1	1	–	–	–	–	7	0.29
Brazil	2	1	1	0	1	-1	–	–	–	0	–	–	5	0.2
Canada	1	-1	3	0.33	1	0	–	–	–	–	1	1	6	0.17
China	2	0.5	2	-0.5	–	–	–	–	–	–	1	0	5	0
EU	1	1	3	0	–	–	–	–	1	1	–	–	5	0.4
France	4	0.5	1	0	–	–	–	–	–	–	–	–	5	0.4
Germany	4	0.25	1	1	1	1	–	–	–	–	–	–	6	0.5
India	2	-0.5	1	0	–	–	1	0	1	1	–	–	5	0
Indonesia	2	0	1	-1	–	–	1	0	–	–	1	0	5	-0.2
Italy	3	0.33	2	0	2	1	–	–	1	0	–	–	8	0.38
Japan	2	0	2	-0.5	1	1	–	–	–	–	1	1	6	0.17
Mexico	1	1	3	0.33	1	0	–	–	–	–	1	0	6	0.33
Korea	2	0.5	3	0.67	1	0	–	–	–	–	1	0	7	0.43
Russia	–	–	3	0.67	–	–	–	–	–	–	2	0.5	5	0.6
South Africa	3	0.67	2	-0.5	–	–	–	–	–	–	–	–	5	0.2
Turkey	4	-0.25	1	0	–	–	–	–	–	–	–	–	5	-0.2
UK	2	0.5	–	–	1	1	2	0.5	–	–	1	0	6	0.5
US	3	0.33	1	-1	1	-1	–	–	1	1	1	0	7	0
All members	42	0.31	31	0.03	11	0.27	5	0.40	5	0.60	10	0.3	104	0.24*

– Not applicable.

* G20 average score is calculated through weighting individual members' average scores by the number of structural measures they were recommended to implement.

Recommendations on future G20 structural reform agenda

Structural reforms impact on national and global economic growth differs depending on the nature of the policy measure and national circumstances.[43] Table 2.3. presents OECD-assessments of whether the proposed structural reforms have an impact on reducing global imbalances (1) or not (0), and also shows an expected direct positive (1), indirect positive (0) or negative (-1) impact on domestic fiscal imbalances. The average score of the two parameters indicates expected overall positive effect on the long-term growth. This indicator is calculated using the following formula:

$$PE = \frac{a+b}{2},$$

where PE means overall positive effect of implementing a particular structural reform on economic growth, a shows an estimated impact of the recommendation on the reduction of global imbalances, and b is an assessment of its impact on domestic fiscal imbalances. Policy actions with the highest PE score should be considered for the G20 structural reforms agenda as they create more opportunities for growth.

Table 2.3. Recommendations on structural reform priorities' inclusion in the G20 agenda[44]

Possible structural reform priorities **1**	**Countries** **2**	**Impact on reducing global imbalances (a)** **3**	**Impact on domestic fiscal imbalances (b)** **4**	**Overall positive effect (PE)** **5**
Strengthening labor market and development of education				
Reforming the unemployment insurance scheme	Canada	1	1	1
Reducing the minimum cost of labor	France, South Africa, Turkey	1	0	0.5
Improving incentives for formal labour force participation	Brazil	1	0	0.5
Reducing job protection	India, Japan, Korea	1 (India) 0 (Japan, Korea)	0	0.5 (India) 0 (Japan, Korea)
Promoting social mobility	US	0	0	0
Strengthening secondary education	Brazil, Indonesia, Mexico	0	-1	-0.5
Strengthening early childhood and primary education	Australia, Mexico	0	-1	-0.5
Strengthening tertiary education	Germany	0	-1	-0.5
Market liberalization				

[43] Effects of implementing the recommendations may be different for various G20 members depending on the current account deficit or surplus they have. The group of surplus countries includes China, Germany, Indonesia, Japan, Mexico, Korea and Russia. The group of deficit G20 states consists of Australia, Brazil, Canada, the EU, France, India, Italy, South Africa, Turkey, the UK and the US.

[44] Scores in columns 3 and 4 are from Pursuing Strong, Sustainable and Balanced Growth: A Note on Implementation of G20 Structural Reform Commitments, OECD, June 2012. URL: http://www.oecd.org/eco/productivityandlongtermgrowth/OECD%20G20%20Framework%20Note%20on%20Structural%20Policy%20Implementation%20(12%20June%202012.pdf

Reducing producer support to agriculture	EU, Japan, Korea, US	1 (Japan, Korea) 0 (EU, US)	1	1 (Japan, Korea) 0.5 (EU, US)
Reducing regulatory barriers to competition	Indonesia	1	0	0.5
Strengthening competition in network industries	Japan, Korea	1	0	0.5
Simplifying product market regulations	China, Indonesia	1	0	0.5
Reducing barriers to foreign ownership/investment/trade	Australia, Russia	1	0	0.5
Strengthening private-sector participation in economic activity	China, Italy, Russia	1 (China, Russia) 0 (Italy)	0	0.5 (China, Russia) 0 (Italy)
Tax reforms				
Strengthening the structure of taxation	Germany, Japan, US	1 (US) 0 (Germany, Japan)	1	1 (US) 0.5 (Germany, Japan)
Improving public sector efficiency	Russia	0	1	0.5
Shifting toward indirect taxes	Korea	0	0	0
Reducing the average tax wedge on labor income	France, Germany	1 (France) 0 (Germany)	-1	0 (France) -0.5 (Germany)
Other				
Improving health outcomes	Russia	1	1	1
Strengthening R&D and innovation incentives	Russia	1	-1	0
Reducing implicit taxes on continued work at older ages	Turkey	1	-1	0
Strengthening the legal system	Indonesia	1	0	0.5

Market liberalization and strengthening labor markets have the highest growth impact potential. G20 focus on these issues could facilitate their implementation. Tax reforms have lower expected growth effect, however, strengthening the structure of taxation can promote competition, job creation, support innovation and stimulate green growth. **Though impact of education development policies 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.**

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.

3. International Financial Institutions Reform

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.

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.

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.

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 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.

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 allows to make 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.

Reforms of International Financial Institutions (IFIs) were included in the G20 agenda from the first summit. In Washington the leaders stressed "the International Monetary Fund (IMF) important role in crisis response" and committed to advance the reform of the Bretton Woods Institutions "so that they can more adequately reflect changing economic weights in the world economy in order to increase their legitimacy and effectiveness".[45] Four main areas of the reform can be singled out: governance and representation, surveillance, resources recapitalization, financial safety nets.

Modernizing Governance and Representation
At the London summit the G20 committed to implement the IMF quota and voice reforms agreed

[45] Declaration of the Summit on Financial Markets and the World Economy. November 15, 2008. http://www.g20.utoronto.ca/2008/2008declaration1115.html.

in April 2008 and called on the IMF to complete the next review of quotas by January 2011.[46] Only five G20 countries ratified relevant amendments to the IMF Articles of Agreement by that time. These reforms included reduction of quotas of five G20 emerging (Argentina, Indonesia Russia, Saudi Arabia and South Africa) and four developed economies. At the same time quotas of several advanced countries, including US, Japan and Germany, were increased. In 2008 the amendments were ratified by 7 countries, in 2009 – by 40, 2010 – by 55, 2011 – by 15. The reforms took effect on 3 March 2011 after they had been approved by 117 member countries, representing 85% of the IMF total voting power.[47] The G20 peer pressure on this issue at each summit may have influenced G20 members and other countries' decision to accept the reforms. However, Saudi Arabia and Argentina have not ratified the reforms which reduced their quotas.[48]

At the Pittsburgh summit the G20 leaders committed to a shift in the IMF quota share to "dynamic emerging markets and developing countries (EMDCs) of at least 5% from over-represented countries to under-represented countries using the current quota formula" and called for adoption of a dynamic formula at the World Bank to generate an increase of at least 3% of voting power for developing and transition countries. Importance of protecting the voting power of the smallest poor countries was emphasized, although some of them were over-represented.[49] Shortly before the summit BRICS countries proposed more ambitious shifts of voting powers of 7% and 6% in the IMF and World Bank respectively.[50]

At the Toronto summit these commitments were reaffirmed and the G20 leaders called for acceleration of work needed to complete them by the Seoul Summit. At the Finance Ministers and Central Bank Governors meeting in October 2010 the agreed size of shift in quota shares was increased from 5% to 6%, but it was mentioned that it would affect not only dynamic EMDCs but also other underrepresented countries.[51] Annual Meetings of IMF and World Bank in 2012 were set as a deadline for completing this component of reform. Other major elements of the reform included:

– doubling of quotas of all members;

– comprehensive review of the IMF quota formula by January 2013 to continue enhancing the EMDCs representation and completion of the next regular review of quotas by January 2014;

– greater representation for EMDCs at the Executive Board through decreasing the number of directors from advanced European countries by two and introduction of a second alternate governor for all multi-country constituencies;

– moving to an all-elected Executive Board and reviewing its composition every 8 years.[52]

IMF Managing Director Dominique Strauss-Kahn called it "a historic decision which recreates the total legitimacy of the institution".[53] On 5 November 2010, the IMF Executive Board

---

[46] Global Plan for Recovery and Reform. Statement Issued by the G20 Leaders. Aprll 2, 2009. http://www.g20.utoronto.ca/2009/2009communique0402.html.
[47] The IMF's 2008 Quota and Voice Reforms Take Effect. March 3, 2011. http://www.imf.org/external/np/sec/pr/2011/pr1164.htm.
[48] Acceptances of the Proposed Amendments of the Articles of Agreement. IMF. http://www.imf.org/external/np/sec/misc/2008consents.htm.
[49] G20 Leaders Statement: The Pittsburgh Summit. September 24-25, 2009. http://www.g20.utoronto.ca/2009/2009communique0925.html.
[50] Final communiqué of the Meeting of finance ministers and Central Bank governors of the BRIC countries, held in London on 4 September 2009. 4 September 2009. http://www.brazil.org.uk/press/articles_files/20090904.html.
[51] Communiqué of the Meeting of Finance Ministers and Central Bank Governors. October 23, 2010. http://www.g20.utoronto.ca/2010/g20finance101023.html.
[52] Ibid.
[53] IMF Managing Director Dominique Strauss-Kahn and First Deputy Managing Director John Lipksy at the conclusion of the G20 Finance Ministers and Central Bank Governors' Meeting in Gyeongju. 23.10.2010. URL: http://www.imf.org/external/np/tr/2010/tr102310.htm.

approved a package of reforms in line with the finance ministerial decisions.[54] At the Seoul summit the G20 leaders confirmed their ministers' decisions.[55] The reforms package was finally approved by the IMF Board of Governors on 16 December 2010.[56] In fact, a shift of 6.2% quota shares in favor of underrepresented countries, including a 6% increase of dynamic EMDCs' shares was approved. But only 2.8% will be redistributed in favor of all EMDCs, and such advanced countries as Czech Republic, Estonia, Iceland, Ireland, Luxembourg, Poland, San Marino, Slovak Republic and Spain will also increase their quota shares.[57] Dynamics among G20 members is also mixed, as shares of nine G20 countries, including two advanced (Australia and Korea), will rise and shares of other 10 countries, including three emerging (Argentina, Saudi Arabia and South Africa), will decrease (Table 3.3).

The subsequent G20 summits urged all members and other countries to accept the 2010 reforms through appropriate national procedures. But the process was not completed by October 2012, when the IMF-World Bank Annual Meetings took place in Japan.

One part of the reforms package, which is a quotas increase under the 14th General Review of Quotas, requires the consent of members totaling 70% of quotas. 139 members with 76.45% of quotas had expressed their consent through appropriate procedures (except two G20 countries, Argentina and US), however the increase will only become effective once the other part, which is the Board Reform Amendment, is accepted.

As of 5 December 2012, 128 members (which is more than the threshold of 113 countries) with 69.63% (85% is required) of total voting power accepted the Board Reform amendment.[58] Among the G20 members Argentina, Saudi Arabia and US have not accepted it. The US ratification is critical, as its voting share of 16.7% will allow reach the threshold of 85% and the reform can not take effect without the approval from this country. The US government has not introduced the legislation to the Congress due to political reasons related to Presidential and Congress elections, however the US Treasury officials reiterate the commitment to get the "reform done in 2012". [59] **Thus, completion of the 2010 Quota Reform should be an important objective of the Russian G20 Presidency. Though the success strongly depends on the US actions, efforts should be also applied to promote further changes in constituency composition "will help realign the Board, even ahead of the passage of the Board Reform Amendment".**[60]

G20 members have supported further reforms based on a new quota formula, elaboration of which was an important element of the 2010 package. Formal discussions on the formula review in the IMF Executive Board started on 7 March 2012.[61] Given the deadline of January 2013 for the review completion, it can be regarded as a delay. The G20 should have supported much earlier start of discussions.

At the Los Cabos summit the G20 agreed on the broad characteristics of a new IMF quota formula, which include:

---

[54] IMF Board Approves Far-Reaching Governance Reforms. IMF. November 5, 2010. http://www.imf.org/external/pubs/ft/survey/so/2010/NEW110510B.htm.

[55] The Seoul Summit Document. November 12, 2010. http://www.g20.utoronto.ca/2010/g20seoul-doc.html.

[56] IMF Board of Governors Approves Major Quota and Governance Reforms. IMF. December 16, 2010. http://www.imf.org/external/np/sec/pr/2010/pr10477.htm.

[57] Quota and Voting Shares Before and After Implementation of Reforms Agreed in 2008 and 2010. IMF. http://www.imf.org/external/np/sec/pr/2011/pdfs/quota_tbl.pdf.

[58] Acceptances of the Proposed Amendment of the Articles of Agreement on Reform of the Executive Board and Consents to 2010 Quota Increase. 25 October, 2012. http://www.imf.org/external/np/sec/misc/consents.htm

[59] Jeremy Tordjman. US proves stumbling block in IMF reform. AFP. http://www.france24.com/en/20120823-us-proves-stumbling-block-imf-reform.

[60] Managing Director's Global Policy Agenda, IMF October 2012. http://www.imf.org/external/np/pp/eng/2012/101312.pdf.

[61] IMF Executive Board Begins Review of Quota Formula. Public Information Notice (PIN) No. 12/35. April 13, 2012. http://www.imf.org/external/np/sec/pn/2012/pn1235.htm.

– simplicity and transparency;

– consistency with the multiple roles of quotas;

– resulting in calculated shares “that are broadly acceptable to the membership”;

– feasibility to be implemented on the basis of timely, high quality and widely available data;

– better reflection of “relative weights of IMF members in the world economy, which have changed substantially in view of strong GDP growth in dynamic EMDCs”;

– protection of voice and representation of the poorest IMF members.[62]

The Executive Board discussions reveal multiple differences between IMF members on each quota variable: “compromises will be needed if the January 2013 deadline is to be met”.[63] Although the International Monetary and Financial Committee (IMFC) Deputies is “the center of the deliberations”, many Executive Directors at the recent meeting “welcomed complementary discussions at the G20 and the commitment of its leaders to complete the comprehensive review of the quota formula by the agreed deadline”.[64] According to the Russian Minister of Finance it is unlikely that the new formula will be elaborated by January 2013, thus the Russian Presidency will seek to finalize it by the St. Petersburg G20 summit in September 2013 and plans to “identify two or three main alternatives, discuss them with key countries and make a consolidated decision”.[65] **G20 could make a substantial contribution by moving towards bridging its members’ positions both within the finance ministers’ track, and through a special G20 Working Group, tasked to address the issues of quota formula variables.**

G20 emphasized the need of IFIs senior leadership appointment through “an open, transparent, and merit-based selection process”[66] at the London and two subsequent summits but has not elaborated on this issue since the Seoul summit. Recent appointments of IMF and World Bank heads followed an old tradition of nationality based selection but were agreed even by the most ardent opponents, BRICS countries, mostly due to the appointees’ personalities and their electoral campaigns.

Reinforcement of Surveillance

One of the first G20 decisions aimed at strengthening the institutional basis of financial regulation reforms was transformation of the Forum on Financial Stability (FFS) into an enlarged Financial Stability Board (FSB), which includes all G20 members and other important countries.

The FSB has become a platform for coordination and monitoring of implementation of financial regulation reforms. Its activities have been made more transparent: the composition of the FSB Plenary, Steering and Standing Committees has been published on its website (lack of this information was vastly criticized);[67] it has made increasing use of public consultations.[68]

---

[62] G20 Leaders Declaration. June 19, 2012. http://www.g20.utoronto.ca/2012/2012-0619-loscabos.html.
[63] Managing Director’s Global Policy Agenda. IMF. October 2012. http://www.imf.org/external/np/pp/eng/2012/101312.pdf.
[64] The Chairman’s Summing Up Quota Formula Review—Additional Considerations September 28, 2012. http://www.imf.org/external/np/pp/eng/2012/092812.pdf.
[65] Russian Finance Minister Statements to the Media. 06.11.2012. http://www1.minfin.ru/ru/press/speech/index.php?id4=17703.
[66] Global Plan for Recovery and Reform. Statement Issued by the G20 Leaders. Aprll 2, 2009. http://www.g20.utoronto.ca/2009/2009communique0402.html.
[67] Why All the Secrecy at the FSB? / Financial News. 03.05.2011 http://blogs.wsj.com/source/2011/05/03/why-all-the-secrecy-at-the-fsb/.

In order to strengthen and formalize its cooperation with non-members the FSB set up 6 regional consultative groups (Americas, Asia, Commonwealth of Independent States (CIS), Europe, Middle East and North Africa, Sub-Saharan Africa).[69] Each group includes one or several G20 members. It should be noted that the only group, which concept of membership coincides with an existing integration grouping, is the CIS. It is the smallest one, uniting 7 countries, including Russia. This practice could become an important instrument for increasing the Forum's legitimacy, transparency and effectiveness within the current membership, broadening of which could complicate coordination. This model could be used also by the G20 for its outreach cooperation.

At the Los Cabos summit the G20 endorsed the revised FSB Charter "placing the FSB on an enduring organizational footing, with legal personality, strengthened governance, greater financial autonomy and enhanced capacity to coordinate the development and implementation of financial regulatory policies, while maintaining strong links with the Bank for International Settlements".[70] It is expected to be established as a legal entity by the next G20 Finance Ministers meeting, which will take place in February 2013,[71] and other institutionalization measures should be fully implemented by September 2013.[72]

As the G20 members are moving from standards development to their implementation in most financial regulation areas (which requires changes in legislation), it is important that the FSB Steering Committee membership has been expanded to the representatives from the executive branch of governments of G20 Troika countries, Systemic-5 countries and "geographic regions and financial centers that were not previously represented in the Committee".[73]

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 on financial regulation as the G20 members are moving from standards development to their implementation in most financial regulation areas.

At the Washington summit the G20 called on the IMF together with the expanded FSF to enhance "efforts to better integrate regulatory and supervisory responses into the macro-prudential policy framework and conduct early warning exercises".[74] All G20 members committed to undertake a Financial Sector Assessment Program (FSAP) report and "support the transparent assessments of countries' national regulatory systems".[75]

As a result the IMF integrated "macroeconomic and financial perspectives on systemic risks, drawing on a range of quantitative tools and broad-based consultations" in the Early Warning Exercise. The IMF, with a leading role on economic, macro-financial and sovereign risks, and the FSB, with a leading role on financial system regulatory and supervisory issues, identify "vulnerabilities and triggers that could precipitate systemic crises" and "risk-mitigating policies,

---

[68] Overview of Progress in the Implementation of the G20 Recommendations for Strengthening Financial Stability Report of the Financial Stability Board to G20 Leaders 04.11.2011. URL: http://www.financialstabilityboard.org/publications/r_111104.htm.
[69] Current membership composition of the FSB. 21.11.2011. URL: http://www.financialstabilityboard.org/about/rcg.pdf.
[70] G20 Leaders Declaration. June 19, 2012. http://www.g20.utoronto.ca/2012/2012-0619-loscabos.html.
[71] Russian Finance Minister Statements to the Media. 06.11.2012. http://www1.minfin.ru/ru/press/speech/index.php?id4=17703.
[72] Communiqué of Meeting of G20 Finance Ministers and Central Bank Governors. November 5, 2012. http://www.g20.utoronto.ca/2012/2012-121105-finance-en.html.
[73] Report to the G20 Los Cabos Summit on Strengthening FSB Capacity, Resources and Governance. 12 June 2012. http://www.financialstabilityboard.org/publications/r_120619c.pdf.
[74] Declaration of the Summit on Financial Markets and the World Economy. November 15, 2008. http://www.g20.utoronto.ca/2008/2008declaration1115.html.
[75] Ibid.

including those that would require international cooperation".[76] The analysis is based on three main IMF sources of multilateral surveillance: World Economic Outlook, Global Financial Stability Report and Fiscal Monitor and conducted semi-annually.[77] The mechanism gave the IMF instruments to communicate tail risks which could "force or would justify a substantial policy reaction".[78]

The Mutual Assessment Process is a major component of the G20 Framework on Strong, Sustainable and Balanced Growth. The analysis is conducted by the IMF staff and serves as an input for Action Plans adopted at G20 summits starting with the Cannes.[79] A recent report with the analysis of G20 performance on its macroeconomic pledges published prior to the Los Cabos summit was used to prepare the Los Cabos Accountability Assessment Report.[80]

Prior to the Seoul G20 summit the IMF made a "landmark" decision of converting the financial stability component of the voluntary FSAP into a mandatory part of the IMF surveillance for the world's top 25 financial sectors which include 14 G20 members.[81] Principles of assessment have been changed to make it more flexible and tailored to country needs (instead of "one-size-fits-all" assessments used before).[82] A new mechanism of spillover reports was introduced featuring detailed assessments of the impact of economic policies of the world's five largest economies – China, the Euro Area, Japan, UK, and US (Systemic-5) on their partner economies.[83]

In 2011 the IMF conducted for the first time a European Financial Stability Framework Exercise (EFFE), "which is expected to be a precursor to a FSAP for the EU". An EU FSAP is planned to take place in the second half of 2012.[84]

In July 2012, the IMF presented the External Balance Assessment (EBA) methodology as a successor to the Consultative Group on Exchange Rates (CGER) methodology for assessing current accounts and exchange rates. The new methodology brings a greater focus "on the role of policies and policy distortions, as well as on global capital market and cyclical influences".[85] The analysis has been broadened beyond exchange rates to "detailed examinations of current accounts, reserves, capital flows, and external balance sheets".[86]

In April 2011, the G20 Finance Ministers and Central Bank Governors agreed on the Indicative Guidelines for Assessing Persistently Large Imbalances to serve as a MAP instrument. The set of indicators includes internal (public debt and fiscal deficits; and private savings rate and private

---

76 IMF-FSB Early Warning Exercise. 13.04.2011. URL: http://www.imf.org/external/np/exr/facts/ewe.htm.

77 The IMF-FSB Early Warning Exercise: Design and Methodological Toolkit / M. Mühleisen, A. Vamvakidis, P. Khandelwal (eds.). International Monetary Fund, September 2010. URL: http://www.imf.org/external/np/pp/eng/2010/090110.pdf.

78 10th Annual Stavros Niarchos Foundation Lecture (Transcript) "Global Recovery and Global Cooperation: The Challenges Ahead". 19 May 2011. http://www.imf.org/external/np/tr/2011/tr051911.htm.

79 The G-20 Mutual Assessment Process (MAP). September 26, 2012. http://www.imf.org/external/np/exr/facts/g20map.htm.

80 Annex B: The Los Cabos Accountability Assessment. http://www.g20.utoronto.ca/2012/2012-0619-loscabos-actionplan.html.

81 Top 25 Financial Sectors to Get Mandatory IMF Check-Up. 27.09.2010. URL: http://www.imf.org/external/pubs/ft/survey/so/2010/new092710A.htm.

82 The Financial Sector Assessment Program (FSAP). 23 March 2011. http://www.imf.org/external/np/exr/facts/fsap.htm.

83 Consolidated Spillover Report - Implications from the Analysis of the Systemic-5. July 11, 2011. http://www.imf.org/external/pp/longres.aspx?id=4584.

84 The IMF and Europe, IMF 19 September 2012. http://www.imf.org/external/np/exr/facts/europe.htm.

85 External Balance Assessment (EBA): Technical Background of the Pilot Methodology, IMF. December 03, 2012. http://www.imf.org/external/np/res/eba/index.htm.

86 Pilot External Sector Report, IMF. 2 July 2012. http://www.imf.org/external/np/pp/eng/2012/070212.pdf.

debt) and external (trade balance and net investment income flows and transfers) indicators. Exchange rate, fiscal, monetary and other policies will be duly considered as well.[87]

Some experts point out that these indicators are insufficient and a deeper analysis of other indicators relevant to labor markets and employment, which “is after all one of the two or three key objectives of macroeconomic policy”, is needed. “Moreover, issues related to income distribution, social policies and the “quality” of government revenues and expenditures” are also important. To assess long-term sustainability the “quality” of adjustment may be even more important than its aggregate value.[88] Prioritizing economic policy for employment Global Unions proposed to “establish employment targets and indicators to be used in the MAP” as well.[89]

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.

Recapitalization of Resources

At the London summit the leaders agreed to “treble resources available to the IMF to USD750 billion” and to “support at least USD100 billion of additional lending by the MDBs”.[90] At the Toronto summit the leaders reported these resources had been mobilized together with a 85% increase in the Multilateral Development Banks (MDBs) capital (from 30% in the International Bank for Reconstruction and Development to 200% in African and Asian Development Banks).[91]

At the Los Cabos summit a new increase of resources available to the IMF was announced. 37 countries committed to provide almost USD456 billion. It was emphasized that “these resources will be available for the whole membership of the IMF, and not earmarked for any particular region” delivering on the commitment to safeguard global financial stability and enhance the IMF role in crisis prevention and resolution.[92] Only three G20 countries, Canada, Indonesia and US did not commit resources. The EU participated in the expanded NAB[93] and 2012 IMF resources increase[94] and contributed more than EUR 140 billion (USD 270 billion) to the NAB and EUR200 billion (USD270 billion) to IMF in the form of bilateral loans[95]. Japan, Germany and China have become major contributors with more than USD43 billion per country (G20 members committed about 72% of total resources).[96] Indonesia mentioned that it supported resources increase and “will undertake the necessary domestic consultations”.[97] By October 2012,

[87] Final Communiqué. Meeting of G20 Finance Ministers and Central Bank Governors. 15.04.2011. http://www.g20.utoronto.ca/2011/2011-finance-110415-en.html.
[88] K.Derviş, H.Kharas. Think Tank 20: Macroeconomic Policy Interdependence and the G-20. 11.04.2011. http://www.brookings.edu/reports/2011/0411_macroeconomic_policy_g20.aspx.
[89] Global Unions’ Statement to the G20 Employment and Labour Ministers’ Meeting. 26-27 September 2011. http://www.ituc-csi.org/IMG/pdf/Global_Union_statement__G20_Labour_meetings.pdf.
[90] Global Plan for Recovery and Reform. Statement Issued by the G20 Leaders. Aprll 2, 2009. http://www.g20.utoronto.ca/2009/2009communique0402.html.
[91] The G20 Toronto Summit Declaration. June 27, 2010. http://www.g20.utoronto.ca/2010/to-communique.html.
[92] G20 Leaders Declaration. June 19, 2012. http://www.g20.utoronto.ca/2012/2012-0619-loscabos.html.
[93] Statement by IMF Managing Director Dominique Strauss-Kahn on the European Union’s Announcement of Additional Financial Support, IMF 4 September 2009. http://www.imf.org/external/np/sec/pr/2009/pr09298.htm.
[94] EU to Channel €200 bln to IMF to Strengthen Global Safety Net, IMF Survey online. 9 December 2011. http://www.imf.org/external/pubs/ft/survey/so/2011/NEW120911A.htm.
[95] The EU has not been assessed for MDBs replenishment as it is not a member of International Development Association and Regional Development Banks except the EBRD.
[96] IMF Managing Director Christine Lagarde Welcomes Additional Pledges to Increase IMF Resources, Bringing Total Commitments to US$456 Billion. June 19, 2012. http://www.imf.org/external/np/sec/pr/2012/pr12231.htm.
[97] Statement from Indonesia, Malaysia and Thailand. April 20, 2012. http://www.imf.org/external/np/sec/pr/2012/pr12148.htm.

the commitments totaled USD461 billion from 39 countries[98] and "the first set of bilateral borrowing agreements comprising USD286 billion", which represent more than 60% of total pledge had been signed.[99] According to the IMF Managing Director the contributing countries, including China, do not set the quota formula review process performance as a precondition for delivering resources to the IMF.[100]

Strengthening Financial Safety Nets

G20 contributed to creation of new financial safety nets designed to help countries cope with the consequences of crises. At the London summit the leaders welcomed the IMF efforts to set up a new Flexible Credit Line (FCL) and reform the lending and conditionality framework.[101]

At the Seoul summit the G20 welcomed enhancement of the FCL and creation of the Precautionary Credit Line (PCL) as a new preventive tool for countries "with sound fundamentals and policies, but moderate vulnerabilities". The leaders also called for improving collaboration between Regional Financing Arrangements (RFAs) and the IMF "across all possible areas and enhance the capability of RFAs for crisis prevention".[102] At the Cannes summit the G20 supported the IMF in putting forward the new Precautionary and Liquidity Line (PLL) to replace the PCL.[103] The PLL combined a qualification process (similar to that for the FCL) with "focused ex-post conditionality aimed at addressing the remaining vulnerabilities identified during qualification".[104]

In October 2011 the G20 Finance Ministers and Central Bank Governors agreed on the G20 Principles for Cooperation between the IMF and Regional RFAs to "build regional capacity for crisis prevention".[105] The six principles are quite broad and include: fostering rigorous and even-handed surveillance; open sharing of information; respect of the roles, independence and decision-making processes of each institution; harmonization of lending conditions; respect for the preferred creditor status of the IMF. The document emphasizes that these principles are non-binding and region-specific circumstances and the characteristics of RFAs should be taken into account.

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 Performance Assessment Guidelines

To assess the G20 performance with the IFI reform commitments in a more tangible way a scoring system has been developed. All commitments fall into two groups: the first includes commitments which require actions at the national level (Table 1) and the second – commitments and mandates implemented by G20 as an institution (Table 2). Each of the

[98] Transcript of the International Financial and Monetary Committee (IMFC) Press Conference. October 13, 2012. http://www.imf.org/external/np/tr/2012/tr101312.htm
[99] Communiqué of Meeting of G20 Finance Ministers and Central Bank Governors. November 5, 2012. http://www.g20.utoronto.ca/2012/2012-121105-finance-en.html.
[100] Transcript of the International Financial and Monetary Committee (IMFC) Press Conference. October 13, 2012. http://www.imf.org/external/np/tr/2012/tr101312.htm
[101] Global Plan for Recovery and Reform. Statement Issued by the G20 Leaders. Aprll 2, 2009. http://www.g20.utoronto.ca/2009/2009communique0402.html.
[102] The Seoul Summit Document. November 12, 2010. http://www.g20.utoronto.ca/2010/g20seoul-doc.html.
[103] Cannes Summit Final Declaration – Building Our Common Future: Renewed Collective Action for the Benefit of All. November 4, 2011. http://www.g20.utoronto.ca/2011/2011-cannes-declaration-111104-en.html.
[104] The IMF's Precautionary and Liquidity Line (PLL). September 27, 2012. http://www.imf.org/external/np/exr/facts/pll.htm.
[105] G20 Principles for Cooperation between the IMF and Regional Financing Arrangements as endorsed by G20 Finance Ministers and Central Bank Governors October 15, 2011. http://www.g20.utoronto.ca/2011/2011-finance-principles-111015-en.pdf

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. Given that institutional compliance requires that a critical number of G20 countries meet their pledges, attainment of institutional commitments can be regarded as G20 verbal consensus turned into action.

Individual commitments were singled out in all areas except Financial Safety Nets. Given the European Union sui generis nature the EU actions aimed at complementing and supporting EU member-states' measures aimed at reinforcement of surveillance and recapitalization of IFIs resources were considered as compliance. However, although the majority of EU members have ratified the 2010 IMF reform, the EU was excluded from the analysis in this area, as this fact can not be interpreted as EU compliance. The following systems of scoring have been applied:

Scoring for Governance and Representation area

-1	Member accepts NEITHER Executive Board reform NOR quota increase in the framework of the 2010 IMF reforms through appropriate national procedures.
0	Member accepts Executive Board reform OR quota increase in the framework of the 2010 IMF reforms through appropriate national procedures.
1	Member accepts Executive Board reform AND quota increase in the framework of the 2010 IMF reforms through appropriate national procedures.

Scoring for Surveillance area

The area includes two indicators: participation in Article IV consultations, which monitor "each member's compliance with its policy obligations"[106] on broad economic issues, and in the Financial Sector Assessment Program (FSAP), which is "a comprehensive and in-depth assessment of a country's financial sector" and is conducted jointly with the World Bank in developing and emerging market countries. As Article IV consultations usually take place once a year,[107] a country needs to take part in them in 2011 or 2012 to comply with this commitment; FSAP country-reports are issued less frequently, thus participation in this program since November 2008 was registered as compliance.[108] It should be noted that although FSAP was made mandatory for 14 G20 countries, several other G20 members continued voluntary participation in the Program considering the commitment made at the Washington summit.

-1	Member does not participate in Article IV consultations after 2010 AND does not participate in FSAP consultations after November 2008.
0	Member participates in Article IV consultations after 2010 OR participates in FSAP consultations after November 2008.
1	Member participates in Article IV consultations after 2010 AND participates in FSAP consultations after November 2008.

The Recapitalization of Resources

The commitment consists of two parts: the first one is participation in the New Arrangements to Borrow (NAB), which were expanded in 2011, and commitment to provide new resources to IMF in 2012; the second one is participation in Multilateral Development Banks (MDBs) recapitalization *(see assessment in the Multilateral Development Banks Resources*

[106] IMF Surveillance. September 26, 2012. http://www.imf.org/external/np/exr/facts/surv.htm.
[107] IMF Article IV Staff Reports. http://www.imf.org/external/ns/cs.aspx?id=51.
[108] Countries, where FSAP consultations are planned for 2012, were also assessed as compliant. *See* Big Financial Sectors Under Review in 2012 By IMF. January 13, 2012. http://www.imf.org/external/pubs/ft/survey/so/2012/POL011312A.htm.

Replenishment chapter of the report). The total score for this area is an average of scores for IMF and MDBs components.

Scoring for IMF component of Recapitalization area

-1	Member NEITHER participates in NAB NOR 2012 IMF resources increase.
0	Member participates in NAB OR 2012 IMF resources increase.
1	Member participates in NAB AND 2012 IMF resources increase.

The total score for the IFI reforms is an average of scores for three areas (Table 3.1.).

Collective commitments were singled out in all areas except Recapitalization of Resources. Assessment and scores are summarized in Table 3.2.

Progress on Governance and Representation reform was mixed and it is still a work in progress. The G20 elaborated a realignment of quotas and voting powers in the IMF (however, increase of emerging and developing countries' quotas was much lower than the total shift), but failed to meet October 2012 completion deadline due to inability of the US to ratify necessary amendments. G20 members agreed on broad parameters of a new quota formula, but January 2013 deadline for elaborating it in the IMF is unlikely to be met. Thus, in 2013 the G20 could make a substantial contribution by moving towards bridging its members' positions.

Level of progress on Surveillance was high, as the G20 has managed to reform membership, governance and procedures in the FSB, placing it "on an enduring organizational footing", and empowered the IMF with new surveillance instruments, including the MAP, aimed at ensuring that the G20 members conduct responsible economic policies.

Substantial progress on Financial Safety Nets, including creation of new credit lines, which are more appropriate during crisis, was hindered by slow changes in conditionality which still should be addressed.

The G20 promoted allocation of new sufficient resources to the IFIs, but was unable to ensure participation of all its member-countries in major resource recapitalization activities.

IFIs reform issues should remain an important part of the G20 agenda, as international economic policy coordination requires effective multilateral institutions capable to provide resources, expertise and pressure to ensure implementation of responsible national economic policies.

Table 3.1. G20 Members Performance on IFIs Reforms

	Governance and Representation (2010 IMF Reform)			Surveillance			Recapitalization of Resources				Total Score
	Quota Increase	Board Reform	Score	Article IV Consultations	FSAP	Score	Extended NAB	2012 IMF Resources Increase	MDBs Replenishment	Score	
Argentina	-	-	-1	-	+	0	-	+	1	0.5	-0.17
Australia	+	+	1	+	+	1	+	+	1	1	1
Brazil	+	+	1	+	+	1	+	+	1	1	1
Canada	+	+	1	+	-	0	+	-	1	0.5	0.5
China	+	+	1	+	+	1	+	+	1	1	1
France	+	+	1	+	+	1	+	+	1	1	1
Germany	+	+	1	+	+	1	+	+	1	1	1
India	+	+	1	-	-	-1	+	+	0	0.5	0.17
Indonesia	+	+	1	+	+	1	-	-	-1	-1	0.33
Italy	+	+	1	+	-	0	+	+	1	1	0.67
Japan	+	+	1	+	+	1	+	+	1	1	1
Korea	+	+	1	+	-	0	+	+	1	1	0.67
Mexico	+	+	1	+	+	1	+	+	1	1	1
Russia	+	+	1	+	+	1	+	+	0	0.5	0.83
Saudi Arabia	+	-	0	+	+	1	+	+	1	1	0.67
South Africa	+	+	1	+	-	0	+	+	1	1	0.67
Turkey	+	+	1	+	+	1	-	+	1	0.5	0.83
UK	+	+	1	+	+	1	+	+	1	1	1
US	-	-	-1	+	+	1	+	-	1	0.5	0.17
EU	n/a			+	+	1	+	+	n/a	1	1
G20 average	0.74			0.65			0.75				0.71

Table 3.2. G20 Institutional Performance on IFIs Reforms

	Governance and Representation	Surveillance			Financial Safety Nets	Total Score
	Quota Formula	Financial Stability Board	Mutual Assessment Process	Average		
Assessment	Broad parameters of a new formula agreed by G20 members; January 2013 deadline is unlikely to be met.	Membership broadened; Revised Charter adopted; Institutionalization leading to establishment as a legal entity is underway.	A set of indicators agreed; Guidelines developed; Reports published.		Creation and reform of the Flexible Credit Line, Precautionary Credit Line (later Precautionary and Liquidity Line); Lending conditions and conditionality still need to be reformed.	
Score	0	1	1	1	0	0.33

Table 3.3. G20 Countries and Major IMF Members Quotas and Voting Shares Dynamics

		Quotas, %				Voting Shares, %					
		2006	Before 2008 Reform	Post-2008 Reform	Post-2010 Reform	2006	Before 2008 Reform	Post-2008 Reform	Post-2010 Reform	2008 Quotas Change	2010 Quotas Change
1	US	17.38	17.071	17.67	17.398	17.023	16.723	16.727	16.47	0.599	**-0.272**
2	Japan	6.228	6.118	6.556	6.461	6.108	6	6.225	6.135	0.438	-0.095
3	Germany	6.086	5.978	6.11	5.583	5.968	5.863	5.803	5.305	0.132	-0.527
4	France	5.024	4.935	4.505	4.225	4.929	4.842	4.286	4.022	-0.43	-0.28
5	UK	5.024	4.935	4.505	4.225	4.929	4.842	4.286	4.022	-0.43	-0.28
6	China	2.98	3.718	3.996	6.39	2.928	3.651	3.806	6.068	0.278	2.394
7	Italy	3.301	3.242	3.306	3.159	3.242	3.185	3.154	3.015	0.064	-0.147
8	Saudi Arabia	3.268	3.21	2.93	2.095	3.21	3.154	2.799	2.009	**-0.28**	**-0.835**
9	Canada	2.98	2.927	2.672	2.311	2.928	2.876	2.554	2.213	-0.255	-0.361
10	Russia	2.782	2.732	2.494	2.705	2.734	2.686	2.386	2.585	-0.238	0.211
11	India	1.945	1.911	2.442	2.749	1.916	1.882	2.337	2.627	0.531	0.307
12	*Netherlands*	*2.415*	*2.372*	*2.166*	*1.831*	*2.375*	*2.334*	*2.076*	*1.76*	*-0.206*	*-0.335*
13	*Belgium*	*2.155*	*2.116*	*1.932*	*1.344*	*2.12*	*2.083*	*1.855*	*1.299*	*-0.184*	*-0.588*
14	Brazil	1.42	1.395	1.783	2.315	1.402	1.377	1.714	2.217	0.388	0.532
15	*Spain*	*1.426*	*1.401*	*1.688*	*1.999*	*1.408*	*1.383*	*1.624*	*1.918*	*0.287*	*0.311*
16	Mexico	1.21	1.449	1.521	1.868	1.196	1.43	1.467	1.795	0.072	0.347
17	*Switzerland*	*1.618*	*1.589*	*1.451*	*1.21*	*1.595*	*1.567*	*1.4*	*1.173*	*-0.138*	*-0.241*
18	Korea	0.764	1.345	1.412	1.799	0.76	1.328	1.364	1.729	0.067	0.387
19	Australia	1.514	1.487	1.358	1.378	1.494	1.467	1.312	1.331	-0.129	0.02
20	*Venezuela*	*1.244*	*1.222*	*1.115*	*0.78*	*1.229*	*1.207*	*1.084*	*0.767*	***-0.107***	***-0.335***
21	*Sweden*	*1.121*	*1.101*	*1.005*	*0.929*	*1.108*	*1.089*	*0.979*	*0.907*	*-0.096*	*-0.076*
22	Argentina	0.99	0.973	0.888	0.668	0.981	0.964	0.869	0.661	**-0.085**	**-0.22**
23	*Austria*	*0.876*	*0.86*	*0.887*	*0.824*	*0.869*	*0.854*	*0.867*	*0.808*	*0.027*	*-0.063*
24	Indonesia	0.973	0.955	0.872	0.974	0.964	0.947	0.854	0.95	-0.083	0.102
25	*Denmark*	*0.769*	*0.755*	*0.793*	*0.721*	*0.764*	*0.75*	*0.779*	*0.711*	*0.038*	*-0.072*
26	*Norway*	*0.782*	*0.768*	*0.79*	*0.787*	*0.777*	*0.763*	*0.776*	*0.773*	*0.022*	*-0.003*
27	South Africa	0.874	0.859	0.784	0.64	0.867	0.852	0.77	0.634	-0.075	-0.144
28	*Malaysia*	*0.695*	*0.683*	*0.744*	*0.762*	*0.692*	*0.68*	*0.733*	*0.749*	*0.061*	*0.018*
29	*Nigeria*	*0.82*	*0.806*	*0.735*	*0.515*	*0.814*	*0.8*	*0.724*	*0.515*	***-0.071***	***-0.22***
30	*Poland*	*0.64*	*0.629*	*0.708*	*0.859*	*0.638*	*0.627*	*0.699*	*0.841*	*0.079*	*0.151*
31	*Iran*	*0.7*	*0.688*	*0.628*	*0.748*	*0.697*	*0.685*	*0.623*	*0.736*	*-0.06*	*0.12*
32	Turkey	0.451	0.547	0.611	0.977	0.453	0.547	0.607	0.952	0.064	0.366
	G20	65.194	65.787	66.415	67.92	64.032	64.616	63.32	64.74	0.628	1.505
	EU	32.9	32.4	31.9	30.2	32.5	32	30.9	29.4	-0.5	-1.7

Countries, that have not accepted the IMF quota reforms agreed in 2008 and 2010, are highlighted in the last two columns respectively.

Source: Quota and Voting Shares Before and After Implementation of Reforms Agreed in 2008 and 2010. IMF. http://www.imf.org/external/np/sec/pr/2011/pdfs/quota_tbl.pdf.

4. Reforming Financial Regulation

4.1. Banking Sector

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. This section deals with the banking sector decisions.

The G20 has succeeded in establishing a comprehensive system for coordination of financial regulation, which involves relevant international institutions, in particular FSB and 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 as well as on compensation practices 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 show that despite the obvious success in fostering the new standards development, G20 should make additional efforts to enforce their 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. Thus, G20 future efforts should be focused on fostering implementation of the agreed 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 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.

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.

Banking capital and liquidity standards

Requirements for banks' capital prescribed by national legislation are one of the key risk-management instruments. Given that proper risk management in the banking system contributes to the overall financial stability, these requirements must be clearly defined. Moreover, the effectiveness of these requirements depends on the availability of a universal mechanism for their application taking into account different legislation frameworks in various countries. In this regard, international community has made attempts to harmonize the requirements to banks' capital, the technical aspects of its determination, and the principles of state regulators surveillance over implementation of these requirements for a long time.

Since its first summit in Washington in 2008 the G20 has played significant role in developing new global standards for banking capital. At the G20 summit in Washington in 2008, the leaders agreed that definitions of capital should be harmonized in order to achieve consistent measures of capital and capital adequacy.[109] The Basel Committee on Banking Supervision which had been active in the field before, carried out the work on harmonizing of these definitions. At the G20 Summit in London the commitment was reiterated, and at the Pittsburgh Summit the G20 leaders pledged to finish the implementation of Basel II standards on capital and liquidity by end-2010 and at the same time develop more comprehensive requirements to banking capital.[110]

The G20 has both fostered implementation of previously developed Basel II standards, and stimulated the development of new requirements to banking capital and liquidity, called Basel III, presented to the G20 summit in Seoul in November, 2010.[111] The Basel Committee on Banking Supervision has proposed to introduce the new leverage ratio equal to 3% of Tier I capital, raise Tier I capital in relation to risk-weighted assets from 4% to 6%, establish a common equity requirement, consisting of common stock, retained earnings and share premium on common stock, in the amount of 4.5%. In addition, for offsetting potential crises it has proposed an introduction of a capital conservation buffer of 2.5%, and in the long term – building up a countercyclical buffer. Another innovation was the development of the short-term liquidity coverage ratio and structural net stable funding ratio (long-term liquidity ratio). These standards are aimed at improving the stability of banks in case of a crisis.[112]

The G20 leaders endorsed the new standards of capital adequacy and liquidity in Seoul, and pledged to start their translation into national laws and regulations from January 1, 2013, and to complete the work by early 2019.[113] This commitment was reiterated at the G20 Summits in Cannes and Los Cabos.

The G20 has played a catalytic role in stimulating reforms in this area. Its members pursue the adoption of Basel II, Basel 2.5 and Basel III at the national level. The FSB acts as a coordinator of the reforms and assists the Basel Committee on Banking Supervision in assessing their impact on other elements of the financial system. However, not all G20 members have complied with the commitment to translate Basel II requirements into national legislation by end-2010,[114] mainly due to differences in organization and regulation patterns of national banking sectors. Assessment of progress in adoption of the three Basel banking capital frameworks by G20 members based on the BCBS data and summed up in Table 4.3. shows that **despite the obvious progress in fostering the new standards development, G20 should make additional efforts to enforce their effective implementation.**

Table 4.3. presents G20 members progress on the Basel reforms implementation using a scoring of three points from -1 to 1. For Basel II: 0 for implementation in progress and 1 for full

[109] Declaration of the Summit on Financial Markets and the World Economy//G20 Information Centre. 15.11.2008. URL: http://www.g20.utoronto.ca/2008/2008declaration1115.html

[110] G20 Leaders Statement. The Pittsburgh Summit. //G20 Information Centre. 24-25.09.2009. URL: http://www.g20.utoronto.ca/2009/2009communique0925.html

[111] The Basel Committee's response to the financial crisis: Report to the G20//Basel Committee on Banking Supervision. 10.2010. URL: http://www.bis.org/publ/bcbs179.pdf

[112] The Basel Committee's response to the financial crisis: Report to the G20//Basel Committee on Banking Supervision. 10.2010. URL: http://www.bis.org/publ/bcbs179.pdf

[113] The Seoul Summit Document//G20 Information Centre. 12.11.2010. URL: http://www.g20.utoronto.ca/2010/g20seoul-doc.html

[114] Status of Basel II adoption (as of end September 2012) // Basel Committee on Banking Supervision. 09.2010. URL: http://www.bis.org/publ/bcbs/b2prog_rep_table.pdf

implementation. For Basel 2.5: -1 for failing to implement, 0 for implementation in progress, and 1 for full implementation. For Basel III: -1 for failing to issue draft regulations, 0 for issuing draft regulations, and 1 for issuing final regulations.

Stress tests

Before the global financial crisis, the Committee on the Global Financial System of the Bank for International Settlements (CGFS) was fully responsible for the development of stress-testing models. A special Working Group on stress tests established within CGFS prepared a review of stress-testing practices used in the 43 largest banks of the world back in April 2001.[115] According to the study, which was informational rather than targeted at decision-making, it was concluded that the stress-testing became an important part of risk management mechanisms in the banking sector.

The issue of evaluating existing globally acknowledged stress-testing models and, if necessary, developing new methodologies was discussed at the G20 Leaders meeting in Washington in November, 2008. The Basel Committee on Banking Supervision was mandated by the G20 to address the problem by end-March, 2009.[116]

There are two stress-testing tools which could be integrated into a risk-management framework. If combined, «bottom-up» tests carried out by banks, which present very accurate and reliable data, and «topdown» tests made by national regulators, characterized by a wide coverage, allow obtaining a high-quality assessment of a country's banking sector and making recommendations to minimize the impact of potential crises. However, there is no mechanism to assess and foster the implementation of the BCBS principles of effective stress-testing, aimed at combining «bottom-up» and «topdown» tests, by individual banks and national regulators.

Applying a scoring system of 1 for full compliance; 0 for partial compliance or work in progress, and -1 for non-compliance, the G20 institutional performance on stress testing can be assessed at 0 for giving impetus to the Basel Committee for developing 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 the BCBS and committing to enforce implementation of an integrated stress testing mechanism at the national level.**

Compensation practices

Reviewing compensation practices as they relate to incentives for risk-taking and innovation was one of the most important G20 decisions concerning financial sector reform made at the 2008 summit in Washington. The G20 leaders endorsed the principles on pay and compensation in significant financial institutions to ensure compensation structures are consistent with firms' long-term goals and prudent risk-taking. In London they agreed that G20 national supervisors should take measures to prevent the use of such schemes of employees' remuneration that contribute to taking additional risks or encourage excess short-term profits by March, 2009, either on a voluntary basis or through the intervention of regulators. The BCBS was tasked to integrate these principles into their risk management guidance by autumn 2009. The FSF was mandated to develop specific measures to address the issue of unsound compensation practices. The G20 finance ministers were to review and make recommendations regarding the measures proposed by the international institutions.[117]

---

[115] A survey of stress tests and current practice at major financial institutions//Committee on the Global Financial System. 04.2001. URL: http://www.bis.org/publ/cgfs18.pdf

[116] Declaration of the Summit on Financial Markets and the World Economy//G20 Information Centre. 15.11.2008. URL: http://www.g20.utoronto.ca/2008/2008declaration1115.html

[117] Declaration of the Summit on Financial Markets and the World Economy//G20 Information Centre. 15.11.2008. URL: http://www.g20.utoronto.ca/2008/2008declaration1115.html

Thus, new requirements to remuneration systems relating both to national regulators and individual financial institutions have been formulated based on the FSB Principles for Sound Compensation Practices and their Implementation Standards prepared for the London and Pittsburgh G20 Summits respectively. In Pittsburgh, G20 leaders announced that development of global regulatory requirements in the sphere of compensation practices was completed and asked the FSB to monitor members' progress in their implementation.[118] In Cannes, the leaders agreed that regular progress reports in the area should be made and mandated the FSB accordingly.[119] The G20 involved the Basel Committee on Banking Supervision in the global system of compensation practices regulation, which allowed to integrate the new standards and mechanisms into the Basel II framework, providing better control of risks in the banking sector and, therefore, strengthening the global financial system stability.

Table 4.3. sums up assessments of individual G20 members progress using a scoring system of 1 for implementation of all FSB Principles and Standards; 0 for implementing all principles and Standards except one or two; and -1 for failing to implement three or more Principles and Standards.

Despite the existence of reviewed global regulatory framework for compensations, not all G20 members manage to implement it effectively. Thus, G20 future efforts should be aimed at fostering implementation of the agreed standards at the national level and involvement of non-G20 countries in the process.

Accounting standards

In the wake of global financial crisis the need to improve and harmonize financial reporting standards has become evident. First, the existing principles of evaluation were often not applicable to complex financial products, which led to a distorted picture of some economic agents' financial performance, measured through a fair value assessment of their assets. Second, the variety of accounting standards used in different countries made it difficult to control the quality of financial statements for both national and global regulatory authorities and complicated the decision-making process.

In November 2008, the G20 proposed a set of measures to increase transparency and accountability in the world economy, with many of them pertaining to accounting standards. Immediate actions by March 31, 2009, set forth in the Action Plan, included: work to enhance guidance for valuation of securities, taking into account the valuation of complex, illiquid products, especially during times of stress; taking measures to address weaknesses in accounting and disclosure standards for off-balance sheet vehicles; enhancing the required disclosure of complex financial instruments by firms to market participants. The G20 leaders also pledged to improve the IASB governance mechanism through the review of its membership.[120] However, these objectives were not fully attained.

In the medium term, relevant international institutions were supposed to carry out their work on elaborating a single set of international accounting standards, strengthen cooperation with private sector representatives in this area, and ensure complete, accurate and timely reporting of information concerning risks and losses financial institutions can face. In addition, global community has become aware of the importance of fair value accounting in financial institutions

[118] G20 Leaders Statement. The Pittsburgh Summit. //G20 Information Centre. 24-25.09.2009. URL: http://www.g20.utoronto.ca/2009/2009communique0925.html

[119] Cannes Summit Final Declaration – Building Our Common Future: Renewed Collective Action for the Benefit of All//G20 Information Centre. 04.11.2011. URL: http://www.g20.utoronto.ca/2011/2011-cannes-declaration-111104-en.html

[120] Declaration of the Summit on Financial Markets and the World Economy//G20 Information Centre. 15.11.2008. URL: http://www.g20.utoronto.ca/2008/2008declaration1115.html

for a proper assessment of their capital adequacy and effective implementation of risk-management strategies. Commitments concerning accounting standards and fair value accounting were reiterated at every G20 summit.

Since the beginning of the global financial crisis international institutions have achieved significant progress in converging accounting standards applied in different countries. As a result, in the foreseeable future all G20 members will start using a single set of high quality accounting standards. At the same time, international institutions try to improve the mechanism of fair value accounting in accordance with the G20 mandates. However, full convergence of accounting standards has not been achieved. Thus, G20 should persevere in its efforts to ensure full and adequate implementation of the agreed reforms. **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.**

Progress in developing a new system of global accounting standards and international institutions' role in the process are presented in Table 4.1.

Table 4.1. Progress in implementing G20's decisions on accounting standards reform

Before 2008	Currently	Institutions
Various sets of accounting standards are used in different countries.	The universal set of accounting standards – IFRS – is being adopted in different countries. Convergence of national standards with IFRS is to be finished by end-2012.	G20 (initiator, Washington); IASB (initiator, since 2008; developer, since January 2009, decision-maker, June 2010, April 2012), G20 (decision-maker, Washington, London, Pittsburgh, Toronto, Seoul, Cannes, Los Cabos).
Fair value accounting is not considered to be an important element of risk-management and accounting practices.	International institutions have elaborated new standards of fair value accounting. Measures of their enforcement at the national level are still to be discussed.	G20 (initiator, Washington); BCBS (developer, November 2008, April 2009).

Source: G20 and relevant international institutions' documents, author's assessment.

Applying a scoring system of 1 for full compliance; 0 for partial compliance or work in progress, and -1 for non-compliance, the G20 institutional performance on creating and ensuring consistent application of high quality global accounting standards can be assessed at 0 for the impetus and perseverance on the issues. However, more efforts will be required from G20 to enforce the adoption of the new standards at the national level.

The G20 has contributed to addressing major challenges facing the banking sector of the world economy. The overall compliance of its members with the agreed commitments in this area has been relatively high, however, G20 needs maintain coordination to ensure enforcement of agreed reforms in accordance with the timelines, and reinforce efforts on the issues where progress is relatively weak, mainly accounting standards convergence.

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 collective (or 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 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. However, 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 issue 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 continue considering this issue 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 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.

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.

OTC Derivatives

Derivatives market, and especially its over-the-counter segment (OTC derivative market), is often considered to have fuelled the global crisis and exacerbated its effects. In the aftermath of the crisis, the need for a comprehensive approach to improve the transparency and stability of the OTC derivative market was realized as an urgent step towards strengthening the global financial system stability. The G20 included the issues of reducing the risks of OTC derivative markets in its agenda starting from the 2008 Washington Summit. The commitment that all standardized OTC derivative contracts should be traded on exchanges or electronic trading platforms, cleared through central counterparties, and reported to trade repositories was reiterated at all G20 summits.

At the Pittsburgh Summit the G20 leaders agreed that these measures should be introduced at national level by the end of 2012 at the latest and mandated the FSB to regularly assess their implementation and adequacy.[121] Regular monitoring of the progress in this area carried out by the FSB indicates that the level of compliance with the G20 decisions is uneven (Table 4.3). Given that appropriate regulations elaborated by international institutions, primarily CPSS and IOSCO, are in place and have been agreed, G20 has to stimulate their timely and full implementation at the national level.

Table 4.3 summarizes G20 members' progress in OTC derivatives market reforms. The FSB has identified six main areas of these reforms. The score of -1 indicates that the G20 member has not adopted legislation or implemented regulations in any of the areas. The score of 0 shows that the G20 member has adopted legislation or implemented regulations in 1 or 2 of the areas. The score of 1 indicates that the G20 member has adopted legislation or implemented regulations in at least three of the areas.

However, data from the FSB progress reports indicate that **the G20 need to make additional efforts to enforce the effective implementation of the reforms agreed for the OTC derivative market.**

Hedge Funds

The issue of hedge funds regulation was for the first time widely discussed at the G20 Summit in Washington in November 2008. Because of the growing complexity of hedge funds' activities and, as a result, difficulties in monitoring them, there was a need for a new regulatory approach in this sector. G20 leaders expected that private sector bodies that had already developed best practices for hedge funds would bring forward proposals for a set of unified best practices. The G20 finance ministers were to assess the adequacy of the proposals, drawing upon the analysis of regulators and relevant international bodies. Both actions were included in the list of immediate actions to be taken by 31 March, 2009.[122] IOSCO has issued final report on hedge funds oversight systemizing the existing practice and giving recommendations on their improvement prior to the G20 Pittsburgh Summit.[123] In Pittsburgh and Toronto, G20 Leaders acknowledged progress made in this area, but there has been no follow up on the IOSCO proposals, either in terms of G20 collective actions or a commitment on their implementation. For tangible and transparent progress the G20 should continue its work on the issue in coordination with relevant international institutions. An option of mandating relevant institutions to monitor progress should be considered by the G20.

Applying a scoring system of 1 for full compliance; 0 for partial compliance or work in progress and -1 for non-compliance, the G20 institutional performance on hedge funds regulation can be assessed at 0. The G20 succeeded in stimulating the identification of best practices and elaboration of IOSCO recommendations on hedge funds regulation. However, their adoption at the national level stalls as the G20 members have not made commitments on implementation and undertaken efforts aimed at establishing a mechanism to monitor progress**. 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.**

---

[121] G20 Leaders Statement: The Pittsburgh Summit // G20 Information Centre. 25.09.2009. URL: http://www.g20.utoronto.ca/2009/2009communique0925.html

[122] Action Plan to Implement Principles for Reform // G20 Information Centre. 15.11.2008. URL: http://www.g20.utoronto.ca/2008/2008declaration1115.html.

[123] Hedge Funds Oversight. Final Report // The International Organization of Securities Commissions. 06.2009. URL: http://www.iosco.org/library/pubdocs/pdf/IOSCOPD293.pdf

Credit Rating Agencies (CRAs)

The financial crisis revealed the fact, that information provided by credit rating agencies was often unreliable. Companies with a high default risk were in many cases overrated. IOSCO has traditionally been an international institution mostly responsible for regulating CRAs. However, there was no a comprehensive mechanism for monitoring the activities of credit rating agencies within this organization. The G20 efforts aimed at toughening rules for CRAs' activities and providing a better supervision in the area. The commitment on strong «oversight over credit rating agencies, consistent with the agreed and strengthened international code of conduct» was first made by the G20 leaders at the Washington Summit.[124] Measures aimed at strengthening oversight over CRAs were agreed at the G20 Summit in London.[125]

However, the main problem of national authorities' and financial institutions' mechanistic reliance on credit ratings remains largely unaddressed. Although the FSB has started to monitor progress in ending such reliance in accordance with the mandates given at the Toronto and Cannes Summits, the G20 should continue considering this issue as a priority until tangible results are achieved.

Applying a scoring system of 1 for full compliance; 0 for partial compliance or work in progress and -1 for non-compliance, the G20 institutional performance on creating universal rules for CRAs activities and reducing reliance on their ratings can be assessed at 0 for its success in implementing the first part of this objective. However, **more efforts will be required for ending the practice of using unreliable external ratings by national authorities and standard-setting bodies.**

Systemically Important Financial Institutions

The issue of strengthening supervision over systemically important financial institutions (SIFIs) was realized as a priority in 2008, when five largest U.S. investment banks unable to cope with the crisis were forced to seek support from the Federal Reserve. As the result, some of them decided to abandon the investment component of their activities, and Lehman Brothers filed for bankruptcy on September 15, 2008.[126] Given the significance of this bank for the U.S. financial system its bankruptcy is often considered to be the starting point of the financial crisis.

The issue of carrying out reforms to prevent similar failures in future was a priority for the G20 at its summit in Washington in November 2008.[127] The actions of financial authorities in different countries, especially the United States, allowed preventing a new wave of major banks' bankruptcies, but the scope of the financial assistance required for supporting systemically important financial institutions was unacceptable. The imperative of elaborating measures to improve the stability of such institutions became evident. That is why identifying SIFIs and proposing regulations for their activities was declared one of the priorities for the FSB at the G20 London Summit.[128]

The mechanism proposed by the FSB prior to the G20 Cannes Summit, includes measures to prevent their potential failures and minimize costs of their resolution both by these institutions

---

[124] Action Plan to Implement Principles for Reform // G20 Information Centre. 15.11.2008. URL: http://www.g20.utoronto.ca/2008/2008declaration1115.html.

[125] Annex: Declaration on Strengthening the Financial System //// G20 Information Centre. 02.04.2009. URL: http://www.g20.utoronto.ca/2009/2009ifi.html

[126] Lehman Brothers//KPMG official website. URL: http://www.kpmg.com.hk/restructuring/

[127] Declaration of the Summit on Financial Markets and the World Economy // G20 Information Centre. 15.11.2008. URL: http://www.g20.utoronto.ca/2008/2008declaration1115.html

[128] Annex: Declaration on Strengthening the Financial System //// G20 Information Centre. 02.04.2009. URL: http://www.g20.utoronto.ca/2009/2009ifi.html

themselves and by national regulatory authorities through creating Recovery and Resolution Plans (RRPs) for SIFIs, promoting international cooperation in the area and removing obstacles to resolvability.

However, the mechanism refers mainly to the SIFIs whose activities have an impact on global scale (G-SIFIs). Besides, all G-SIFIs identified are banking entities. G20 leaders have highlighted the need to adapt the existing mechanism of addressing G-SIFIs to domestic systemically important banks.[129] The FSB and Basel Committee progress report on this issue was prepared for the G20 finance ministers and central bank governors meeting on April 20, 2012.[130] In addition, the International Association of Insurance Supervisors (IAIS) is currently preparing a similar mechanism for multinational insurance companies, the Committee on Payment and Settlement Systems in cooperation with IOSCO - for systemically important elements of market infrastructure, FSB with IOSCO assistance - for non-banking financial institutions. Results of this work are scheduled for delivery by the end of 2012.[131]

Thus, **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** (see Table 4.2).

Table 4.2. Progress in implementing G20's decisions on SIFIs reform

Before 2008	Currently	Institutions
Supervision frameworks and resolution regimes for SIFIs are not defined.	A set of requirements to G-SIFIs aimed at minimizing their risks for economic stability has been developed along with standards for resolution regimes.	G20 (initiator, Washington); FSB (development, September 2009, June 2010, July 2011, October 2011), G20 (decision-making, Seoul, Cannes, Los Cabos).
There are no any criteria for measuring systemic importance.	BCBS has developed a methodology for measuring systemic importance of different financial institutions.	G20 (initiator, London); FSB (development, October 2009), BCBS (development, July 2011, November 2011); G20 (decision-making, Cannes).
-	Regulation framework for SIFIs is being extended to include financial institutions other than globally important banks.	G20 (initiator, Cannes); FSB (development, April 2012), IOSCO, CPSS, IAIS (development, in progress); G20 (decision-making, Los Cabos)

Source: G20 and relevant international institutions' documents, author's assessment.

Applying a scoring system of 1 for full compliance; 0 for partial compliance or work in progress and -1 for non-compliance, the G20 institutional performance on addressing SIFIs can be assessed at 1 for its positive role in creating methodologies for identifying SIFIs, strengthening supervision frameworks and resolution regimes, and supporting the expansion of regulation to cover different financial institutions.

[129] Cannes Summit Final Declaration – Building Our Common Future: Renewed Collective Action for the Benefit of All // G20 Information Centre. 04.11.2011. URL: http://www.g20.utoronto.ca/2011/2011-cannes-declaration-111104-en.html

[130] http://www.financialstabilityboard.org/publications/r_120420b.pdf

[131] Cannes Summit Final Declaration – Building Our Common Future: Renewed Collective Action for the Benefit of All // G20 Information Centre. 04.11.2011. URL: http://www.g20.utoronto.ca/2011/2011-cannes-declaration-111104-en.html

Since the peak of the financial crisis financial regulation in non-banking sector of the world economy has undergone substantial changes. The G20 has contributed to the establishment of the new rules mostly an 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.**

G20 members' progress in the main areas of financial sector reform is summarized in Table 4.3.

Table 4.3. Progress in implementing G20's decisions on financial sector reform

	Banking sector						Non-banking sector			Average
	Basel II	Basel 2.5	Basel III	Average for Basel	Compensation practices	Average	OTC (Applicable legislation)	OTC (Status of implementing regulations)	Average	
Argentina	0	-1	-1	-0.67	-1	-0.83	0	1	0.5	-0.17
Australia	1	1	0	0.67	1	0.83	-1	-1	-1	-0.08
Brazil	1	1	0	0.67	0	0.33	0	0	0	0.17
Canada	1	1	0	0.67	1	0.83	1	-1	0	0.42
China	0	0	1	0.33	0	0.17	1	0	0.5	0.33
France	1	1	0	0.67	1	0.83	1	-1	0	0.42
Germany	1	1	0	0.67	1	0.83	1	-1	0	0.42
India	1	1	1	1	1	0.50	1	1	1	1
Indonesia	0	-1	0	-0.33	-1	-0.67	1	1	1	0.17
Italy	1	1	0	0.67	1	0.83	1	-1	0	0.42
Japan	1	1	1	1	1	1	1	1	1	1
Korea	1	1	0	0.67	1	0.83	0	-1	-0.5	0.17
Mexico	1	-1	0	0	1	0.50	n/a	-1	-1	-0.25
Russia	0	0	0	0	-1	-0.50	1	-1	0	-0.25
Saudi Arabia	1	0	1	0.67	1	0.83	n/a	0	0	0.42
South Africa	1	1	0	0.67	0	0.33	-1	-1	-1	-0.33
Turkey	1	1	-1	0.33	0	0.17	-1	-1	-1	-0.42
UK	1	1	0	0.67	1	0.83	1	-1	0	0.42
US	0	0	0	0	0	0	1	1	1	0.50
EU	1	1	0	0.67	n/a	0.67	1	-1	0	0.33
G20 Average	0.75	0.50	0.10	0.45	0.42	0.39	0.50	-0.35	0.03	0.23

Sources: Status of Basel II adoption (as of end September 2012), Basel Committee on Banking Supervision. 09.2010. http://www.bis.org/publ/bcbs/b2prog_rep_table.pdf; Status of Basel 2.5 adoption (as of end September 2012), Basel Committee on Banking Supervision. 09.2010. http://www.bis.org/publ/bcbs/b2_5prog_rep_table.pdf; Status of Basel III adoption (as of end September 2012), Basel Committee on Banking Supervision. 09.2010. http://www.bis.org/publ/bcbs/b3prog_rep_table.pdf; Implementing the FSB Principles for Sound Compensation Practices and their Implementation Standards. Progress Report, Financial Stability Board. 13.06.2012. http://www.financialstabilityboard.org/publications/r_120613.pdf; OTC Derivatives Market Reforms, Fourth Progress Report on Implementation. Financial Stability Board, 31.10.2012. http://www.financialstabilityboard.org/publications/r_121031a.pdf

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 – 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.

The G20 leaders first made commitment to refrain from protectionist measures at their first meeting in Washington. The leaders committed to "refrain from raising new barriers to investment or to trade in goods and services, imposing new export restrictions, or implementing World Trade Organization (WTO) inconsistent measures to stimulate exports"[132] within the 12 months following the summit. The commitment was reaffirmed and extended at the G20 summits in London, Pittsburgh, Toronto, Seoul, Cannes and Los Cabos. At the Los Cabos summit the leaders extended the commitment period until 2014.

Since the 2009 London summit the G20 countries submit the data on new trade restrictive measures and subsidies to the WTO. The WTO was tasked with conducting monitoring and providing reports on the G20 trade measures. Since April 2009 the reports are prepared collectively with OECD and UNCTAD. [133]

The analysis aims to estimate the G20 effectiveness at fulfilling the commitment, using the data from the WTO reports on the G20 trade related measures. The impact of protectionist measures introduced by the G20 members is out of the scope of this analysis and is to be explored in the future with the use of additional sources. Given that the WTO reports include measures adopted by the European Union, and not the members individually, the EU score (-1) was assigned to France, Germany, Italy and the United Kingdom.[134] Although this approach is substantiated by the EU Common Trade Policy, future studies should utilize national data allowing a differentiated assessment for each member state.

The commitment required G20 countries to refrain from imposing new trade restrictive measures. However, the WTO reports indicate that since the Washington summit (November 2008 – 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

[132] Declaration of the Summit on Financial Markets
and the World Economy, Washington Summit, 15 November 2008.
http://www.g20.utoronto.ca/2008/2008declaration1115.html

[133] Reports on recent trade developments. WTO. http://www.wto.org/english/news_e/archive_e/trdev_arc_e.htm

[134] The average score for this area is an average of 20 members' individual scores.

varies from 2 measures adopted by Japan and Saudi Arabia to 92 measures introduced by India (Table 5.1).

Table 5.1 presents the breakdown of the G20 countries' protectionist measures made in the seven periods between the G20 summits. It also contains compliance scores of the G20 members and an average score of the institution. The scoring is based on statistical grouping method which implies a division of the data set into groups based on the interval value. To define an interval value, the spread between the maximum (92) and the minimum (2) number of protectionist measures adopted by G20 countries is divided by the number of groups. The number used in the analysis is 5. The number used in the analysis is 5. Thus, according to the formula

$$i = \frac{x_{\max} - x_{\min}}{n}$$

Where i is the step value, n – the number of groups, x – the number of measures adopted;
the interval value is determined as 18. To determine the lower boundary of the first group it is added to the minimal value, the threshold of the first group is 20. The lower threshold of the second group is determined by adding two intervals to the lower threshold of the first group (20+18+18=56). Thus, 56 is the lower threshold of the second group and the upper threshold of the third group. Countries in the first group receive the score of 1. Countries in the second group – the score of 0. Countries in the third group (with the highest amount of protectionist measures) receive the score of -1.

-1	Member adopted 56 or more protectionist measures.
0	Member adopted 20 or more, but less than 56 protectionist measures.
1	Member adopted less than 20 protectionist measures.

Table 5.1. Protectionist measures in G20 countries

	ARG	AUS	BRA	CAN	CHN	IND	IDN	JPN	KOR	MEX	RUS	S.AR	S.AF	TUR	US	EU	Average	Total
Washington-London (16 November 2008 - 2 April 2009)	11	1	4	1	8	13	6	0	2	3	5	0	1	4	3	1	3.94	63
London-Pittsburgh (3 April 2009 - 25 September 2009)	9	3	6	4	11	10	7	0	0	1	10	0	2	9	18	6	6.00	96
Pittsburgh - Toronto (26 September 2009 - 27 June 2010)	13	5	8	1	11	18	15	1	3	1	18	2	3	2	11	14	7.88	126
Toronto - Seoul (28 June 2010 - 12 November 2010	2	2	7	2	4	5	0	0	0	2	11	0	0	1	1	6	2.69	43
Seoul - Cannes (13 November 2010 - 4 November 2011)	26	9	31	3	15	30	14	0	1	7	25	0	9	7	15	16	13.00	208
Cannes - Los Cabos (5 November 2011 -18 June 2012	12	6	16	5	8	11	10	0	1	2	8	0	5	7	13	12	7.25	116
After Los Cabos (18 June 2012 - 15 October 2012)	13	3	8	0	5	5	4	1	0	2	8	0	2	2	1	9	3.94	63
Total	86	29	80	16	62	92	56	2	7	18	85	2	22	32	62	64	44.69	715
Compliance score	**-1**	**0**	**-1**	**1**	**-1**	**-1**	**-1**	**1**	**1**	**1**	**-1**	**1**	**0**	**0**	**-1**	**-1**	**-0.35***	

* Given that the WTO reports include measures adopted by the EU, and not the EU member-states individually, the EU score (-1) was assigned to France, Germany, Italy and the UK. The score is an average of 20 members' individual scores.

Source: Summary and Status of G20 trade and trade-related measures since October 2008, WTO 31 October 2012. http://www.wto.org/english/news_e/news12_e/g20_annex_bis_oct12_e.xls.

The results indicate that most protectionist measures were adopted in the period between the Seoul summit and the Cannes summit. However, this period was also the longest. To identify the most measure-intensive period the following formula is introduced:

$$Ip = \frac{npm}{nd}$$

Where "npm" indicates a number of protectionist measures in the period and "nd" indicates a number of days in the period (Table 5.2).

Table 5.2. Protectionist measures intensity

	Measures	Days	Intensity
Washington - London (16 November 2008 - 2 April 2009)	63	137	**0.46**
London – Pittsburgh (3 April 2009 - 25 September 2009)	96	175	**0.55**
Pittsburgh - Toronto (26 September 2009 - 27 June 2010)	126	274	**0.46**
Toronto - Seoul (28 June 2010 - 12 November 2010)	43	137	**0.31**
Seoul - Cannes (13 November 2010 - 4 November 2011)	208	356	**0.58**
Cannes – Los Cabos (5 November 2011 - 18 June 2012)	116	226	**0.51**
After Los Cabos (18 June 2012 – 15 October 2012)	63	119	**0.53**

Source: author's estimates.

The G20 countries were most efficient in fulfilling their commitment in the timeframe between the Toronto summit and the Seoul summit. About 29% of all the G20 measures since 2008 were taken between the Seoul summit and the Cannes summit.
Table 5.3 presents the breakdown of the G20 protectionist measures by G20 member and by sector. Due to the fact that one measure can affect several sectors the total number of measures in this table may not be equal to the number given in Table 5.1.

Table 5.3. G20 members' protectionist measures by sector

Country	Food and agricultural goods	Manufactured goods	Fuel and minerals	Services	Other
Argentina	10	66	6	0	4
Australia	9	19	1	0	1
Brazil	9	66	2	1	3
Canada	3	13	0	0	0
China	19	26	14	3	4
India	13	69	7	2	1
Indonesia	19	34	3	3	2
Japan	0	1	0	1	0
Korea	2	4	1	0	0
Mexico	2	16	0	0	1
Russia	25	55	3	0	3
Saudi Arabia	0	2	0	0	0
South Africa	3	17	0	0	1
Turkey	9	23	1	0	0
US	4	53	1	1	3
EU	5	52	6	0	0
Total	132	516	45	11	23

Source: author's estimates.

The WTO report on the G20 trade related measures demonstrates that the leaders' decisions did not deter the rise of protectionism in their countries. The institution's performance on its longstanding commitment to refrain from protectionist measures has been low. The reasons for the lack of the members' compliance with the commitment are numerous. The countries' attempts to combat the adverse effects of the global economic crisis and their efforts to stimulate economic recovery through support of national industries have contributed to the rise of protectionism since 2008.

Although not sufficient to stop the G20 countries from resorting to protectionist measures, the WTO, OECD and UNCTAD recurrent reports on the G20 trade related measures proved to be a useful mechanism for monitoring the members' compliance with the commitment and, therefore, should be continued. However, **as existing mechanisms of peer-review and international organizations' monitoring are not enough, G20 should consider supplementing the existing monitoring exercise led by an OECD/WTO/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

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 were 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".[135] Given that the G20 failed to advance the progress in this regard, it seems feasible to delegate the issue to relevant international institutions and expert community. They should be mandated to elaborate a common definition of fossil fuel subsidies and propose criteria for the subsidy efficiency assessment. The recommendations can be subsequently presented to the G20 for further consideration. The dynamics of fossil fuel subsidies' cost evaluation in G20 countries is presented in Table 6.2 and Table 6.3.

At the Pittsburgh summit in September 2009 the G20 leaders committed "to phase out and rationalize over the medium term inefficient fossil fuel subsidies while providing targeted support for the poorest" as these subsidies "encourage wasteful consumption, reduce our energy security, impede investment in clean energy sources and undermine efforts to deal with the threat of climate change".[136]

At the Pittsburgh summit G20 leaders asked their finance and energy ministers to prepare national implementation strategies for rationalizing and phasing-out inefficient fossil fuel subsidies for presentation at the G20 the following year. The leaders also asked IEA, OPEC, OECD and World Bank to conduct analysis of the scope of fossil fuel subsidies and prepare recommendations to promote the implementation of the commitment. The commitment was reaffirmed at each subsequent G20 summit, including the 2012 Los Cabos meeting.

At the Toronto summit in June 2010 12 G20 countries presented their national implementation strategies[137] (Table 6.1). Seven countries (Australia, Brazil, France, Japan, Saudi Arabia, South Africa and the United Kingdom) stated that they did not have inefficient fossil fuel subsidies, while two of them (Japan and the United Kingdom) did not provide any information. In October 2011 a follow-up progress report was released. The third report is due to be released in 2012. To this date only its summary is available.[138] Table 6.1 presents the summary of G20 countries' reports on the commitment.

[135] World Energy Outlook 2011, IEA. 2011

[136] G20 Leaders Statement: The Pittsburgh Summit, 25 September 2009. http://www.g20.utoronto.ca/2009/2009communique0925.html

[137] G20 Initiative on Rationalizing and Phasing Out Inefficient Fossil Fuel Subsidies, Annex, OECD, IEA. 2010. http://www.eenews.net/assets/2010/06/28/document_cw_03.pdf

[138] Summary of Progress Reports to G-20 Leaders on the Commitment to Rationalize and Phase Out Inefficient Fossil Fuel Subsidies, 2012. http://www.mvo.nl/Portals/0/duurzaamheid/biobrandstoffen/nieuws/2012/08/Fossil_Fuel_Subsidies.pdf

Table 6.1. Member-Specific Implementation Strategies on Fossil-Fuel Subsidies

G20 Member with Fossil Fuel Subsidies	Reporting 2010[139]	Reporting 2011[140]	Reporting 2012[141]
Argentina	Proposes to reduce household subsidy for propane gas consumption as natural gas access is expanded.	Continuing efforts to expand natural gas access and reform national energy markets through reducing subsidies to natural gas and electricity consumption.	Reported a plan to gradually reduce subsidies on natural gas and electricity consumption launched in December 2011.
Australia	No inefficient fossil fuel subsidies were reported.	No report.	No inefficient fossil fuel subsidies were reported.
Brazil	No inefficient fossil fuel subsidies were reported.	No inefficient fossil fuel subsidies were reported. Plans to substantially reduce energy aid to consumers in remote regions through expansion of national electricity grid.	No inefficient fossil fuel subsidies were reported. Plans remained unchanged.
Canada	Proposed to implement draft legislation to phase out the accelerated capital cost allowance for oil sands assets over the 2011-2015 period. Previously phased out other tax preferences applying to fossil fuel producers.	Reported progress in implementing by 2015 a phase out of accelerated capital cost allowance for investment in oil sands assets. Proposed to pursue new regulations that would better align deduction rates for intangible costs in the oil sands sector with rates in the conventional oil and gas sector.	Continues with the plan to phase out over 2011-2015 the accelerated capital cost allowance for investment in oil sands projects. Reported that in accordance with Budget 2011, deduction rates for intangible capital expenses in oil sands projects were reduced. Announced in Budget 2012 the phase out of Atlantic Investment Tax Credit for investments in oil & gas and mining sectors.
China	Proposes to gradually reduce the urban land use tax relief for fossil fuel producers	No inefficient fossil fuel subsidies were reported. Reported conducting research on adjusting the urban land use tax relief to fossil fuel producers.	No inefficient fossil fuel subsidies were reported. Pursuing a policy of adjusting the urban land use tax relief to fossil fuel producers, gradually reducing the preferential tax treatment and phasing out the policy over medium and long term.
France	No inefficient fossil fuel subsidies were reported.	No report.	No inefficient fossil fuel subsidies were reported. Reported taxation practices that contribute to reducing fossil fuels consumption, improving energy efficiency, fighting climate change and contributing to energy security.
Germany	Proposed to discontinue subsidized coal mining in a socially acceptable manner by the end of 2018.	Continued with the implementation of the previously stated plan. Reported steps taken to close coal mines and reduce state aid.	Continues with the plan to phase out coal subsidies by the end of 2018. After 2019, subsidized coal will no longer be produced in Germany. Announced plans to close two coal mines by the end of 2012. Only three such mines will be left.
India	Proposes to work out implementation strategies and timetables for rationalizing and phasing out inefficient fossil fuel subsidies based on the recommendation of the Empowered Group of Ministers that has been constituted.	Reported plans to switch to market prices for petrol and diesel both at the refinery gate and the retail level. India will maintain subsidies on PDS kerosene and domestic LPG in order to support the poorest households.	Reported the same plans as in 2011.
Indonesia	Proposes to phase out inefficient fossil fuel subsidies in a gradual manner in parallel through managing the demand side by adopting measures that will reduce fossil fuel energy consumption and by gradually narrowing the gap between domestic and international prices.	Reported a medium term budget plan that is projected to gradually decrease subsidies by 2014.	Government remains committed to continue rationalizing the domestic prices of both fuel and electricity. Reported progress on significantly reducing kerosene subsidies through kerosene-to LPG conversion program; and plans to continue implementing alternative energy sources and fossil fuel to gas conversion program.

139 G20 Initiative on Rationalizing and Phasing Out Inefficient Fossil Fuel Subsidies, Annex, OECD, IEA. 2010. http://www.eenews.net/assets/2010/06/28/document_cw_03.pdf

140 Progress Report to G20 Leaders on the Commitment to Rationalize and Phase Out Inefficient Fossil Fuel Subsidies, Annexes, G20 October 2011.

141 Summary of Progress Reports to G-20 Leaders on the Commitment to Rationalize and Phase Out Inefficient Fossil Fuel Subsidies, 2012. http://www.mvo.nl/Portals/0/duurzaamheid/biobrandstoffen/nieuws/2012/08/Fossil_Fuel_Subsidies.pdf

Italy	Proposes to continue with planned expiration of subsidy for certain cogeneration plants, and negotiate on a voluntary basis with private operators of these plants on the timing of their recess from the subsidy scheme.	Reported the start of implementation of its plans to gradually eliminate previously conceded feed-in tariffs for certain cogeneration facilities by pursuing voluntary agreements with private operators.	No inefficient fossil fuel subsidies were reported. Reported the abolishment of a scheme that targeted the development of renewable energy production capacity but inadvertently subsidized non-renewables at facilities where cogeneration capacity was based on fossil fuels.
Japan	No report.	No report.	No inefficient fossil fuel subsidies were reported.
Korea	Proposes to phase out subsidies to anthracite coal and briquette producers.	Reported complete phase out of coal production subsidies. Proposes to gradually phase out a subsidy for briquette production by 2020.	The remaining briquette production subsidy is in place for social reasons. Reported plans to raise fixed price on briquettes in 2012 to reduce subsidy expenditure.
Mexico	By continuing current policies and based on current market conditions, subsidies to gasoline, diesel and LP gas were expected to disappear in the medium term.	Reported the implementation of policies that raise the price of fuels on a monthly basis. Expects to eliminate subsidies for gasoline and diesel over the medium term.	State-controlled price-setting mechanism was modified to promote the incremental increase in gasoline, diesel, and LPG prices on a monthly basis at a constant rate, with the goal of gradually eliminating subsidies.
Russia	Proposed to implement the commitment to rationalize and phase out inefficient fossil fuel subsidies through national economic and energy policy, within the framework of its Energy Strategy 2030 and the Concept of Long-Term Social and Economic Development, as well as in the context of its joining the WTO.	No inefficient fossil fuel subsidies were reported. Working to gradually develop market pricing principles in the natural gas market and has proposed the preparation of initiatives to implement transition by 2015 from state regulation of wholesale gas prices to state of regulation of tariffs for gas transportation services.	No inefficient fossil fuel subsidies were reported. Reported the same plan as in 2011 with the addition of another program , that aims to decrease the energy intensity of Russia's GDP by not less than 13.5% of 2007 levels.
Saudi Arabia	No inefficient fossil fuel subsidies were reported.	No report	No inefficient fossil fuel subsidies were reported.
South Africa	No inefficient fossil fuel subsidies were reported. Noting recently introduced electricity tax that applies to electricity generated from non-renewables as well as other relevant tax measures and incentives to reduce wasteful consumption and encourage clean energy development.	No report.	No inefficient fossil fuel subsidies were reported.
Turkey	Proposes to work on a restructuring plan to rationalize the inefficient producer subsidies transferred to a state-owned hard coal producing enterprise.	Reported the same plan as in 2010.	Reported that the work had begun in accordance with the previously stated plan.
United Kingdom	No report.	No report.	No inefficient fossil fuel subsidies were reported.
United States	Proposes to pass legislation to eliminate twelve preferential tax provisions related to the production of coal, oil, and natural gas.	Reported the same plan as in 2010.	Reported the same plan as in 2010.

There are several factors which hinder the fulfillment of the commitment to rationalize and phase-out inefficient fossil fuel subsidies and undermine the G20 effort in this field:

1. A lack of generally accepted and agreed upon definition of fossil fuel subsidy.
2. Different approaches to subsidy efficiency assessment;
3. A lack of unified and comprehensive data base on fossil fuel subsidies.

Unable to find a commonly accepted definition of subsidies and to establish common principles of the efficiency assessment, G20 countries decided to adopt their own definitions and to identify subsidies subject to rationalization or phasing-out independently. Thus, G20 countries used different criteria for reporting inefficient fossil fuel subsidies, which significantly hindered the self-reporting process. The difficulty of subsidy cost evaluation and the lack of reliable independent source of information on fossil fuel subsidies also diminish the transparency of the subsidy reform process.

The G20 has undertaken several steps in order to resolve the abovementioned issues. Summary Progress Report 2012 highlighted the key goals and plans of the newly established Working Group on Energy and Commodity Markets in the area of fossil fuel subsidy reform. The report states that the working group met twice during 2012. Several options were explored at these meetings, including the initiation of the voluntary peer-review process whereby a member could invite another member to assess its progress. The issue of defining fossil fuel subsidies was also raised, as well as the issues of agreeing subsidy costs calculation and standardizing the reporting. The G20 members also considered the option of engaging with other international groups making similar commitments, such as the Asia Pacific Economic Forum (APEC) and the Friends of Fossil Fuel Subsidies Reform group.[142]

The G20 Finance Ministers and Central Bank Governors Communiqué of 5 November 2012 confirmed the G20 members' commitment to develop a peer-review process on fossil fuel subsidy reform. According to the communiqué the next progress report on the commitment is due to be presented to the leaders in 2013.[143]

The year 2012, as highlighted in Table 6.1, has also seen a rise in the number of countries providing reports to the G20. In 2010 two countries opted out of reporting (Japan and United Kingdom), in 2011 they were joined by four more countries (Australia, France, Saudi Arabia and South Africa). In 2012, however, all countries submitted their repots.

Tables 6.2 and 6.3 show the dynamics of fossil fuel subsidies' cost evaluation in G20 countries. Although seven G20 members stated that they did not have inefficient fossil fuel subsidies, OECD and IEA identified existing mechanisms of fossil fuel production and consumption support in every G20 country except Brazil (on which neither OECD, nor IEA presented any data). Table 6.2 uses data from IEA estimates of fuel consumption subsidies in 2009 and 2010.

Table 6.2. Fossil Fuel Subsidies in G20 countries in 2009-2010[144]
(billion USD)

	Coal		Petroleum		Natural gas		Electricity	
	2009	2010	2009	2010	2009	2010	2009	2010
Argentina	0	0	0.52	0.81	2.7	2.53	2.65	3.16
Brazil	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
China	3.73	2.01	5.29	7.77	0.37	0	7.13	11.54
India	0	0	11.49	16.2	2.72	2.22	6.21	3.87
Indonesia	0	0	8.99	10.15	0	0	3.57	5.79
Russia	0	0	0	0	18.57	16.95	14.4	22.26
Saudi Arabia	0	0	22.06	30.57	0	0	10.48	12.95
South Africa	0	0	0.12	0	0	0	2.84	2.12

[142] Summary of Progress Reports to G-20 Leaders on the Commitment to Rationalize and Phase Out Inefficient Fossil Fuel Subsidies, G20 2012.
http://www.mvo.nl/Portals/0/duurzaamheid/biobrandstoffen/nieuws/2012/08/Fossil_Fuel_Subsidies.pdf
[143] Finance Ministers and Central Bank Governors Communiqué, G20 5 November 2012.
http://www.g20mexico.org/index.php/es/comunicados-de-prensa/537-final-communique
[144] IEA Estimates of Fuel Consumption subsidies http://www.oecd.org/dataoecd/41/46/48802785.pdf

Table 6.3 uses the data from OECD report “Inventory of estimated budgetary support and tax expenditures for fossil fuels” to show trends in fossil fuel subsidies’ cost in G20 countries in 2009 - 2010. “R” indicates the rise in mechanism cost, “D”- the decline, “S” – no change, “n.a.” – no information, while the grey field represents the absence of a mechanism in a country.

Table 6.3. G20 fossil fuel subsidies' cost dynamics in 2009-2010[145]

Sphere	Target	Mechanism	Australia	Canada	France	Germany	Italy	Japan	South Korea	Mexico	Turkey	United Kingdom	United States
Fossil-fuel support to coal	Producer support	Support to unit returns				**n.a.**			**S**		**S**		**R**
		Income supprot			**n.a.**	**D**			**n.a.**			**n.a.**	
		Support for capital formation	**R**	**R**	**n.a.**				**S**			**n.a.**	**R**
		Support for land		**n.a.**		**S**							**D**
		Support for intermediate inputs				**S**			**S**				
		Support for labour				**n.a.**							
		Support for knowledge creation											
	Consumer support			**R**	**S**	**D**			**S**		**S**	**R**	**R**
	General services support		**D**		**n.a.**	**D**			**S**			**S**	**R**
Fossil-fuel support to petroleum	Producer support	Support to unit returns	**D**									**R**	**R**
		Income supprot			**D**								**R**
		Support for capital formation	**R**	**R**								**n.a.**	**D**
		Support for land		**D**									
		Support for intermediate inputs			**S**	**S**		**D**			**n.a.**		

[145] Inventory of estimated budgetary support and tax expenditures for fossil fuels, OECD.
http://www.oecd.org/tad/environmentandtrade/inventoryofestimatedbudgetarysupportandtaxexpendituresforfossilfuels.htm#publication

		Support for labour											
		Support for knowledge creation						**D**					**R**
	Consumer support		**R**	**R**	**D**	**R**	**n.a.**		**S**	**D**	**R**	**R**	**S**
	General services support			**S**				**D**	**S**				**D**
Fossil-fuel support to natural gas	Producer support	Support to unit returns	**n.a.**									**R**	**R**
		Income supprot	**n.a.**		**D**								**R**
		Support for capital formation	**R**	**R**				**D**				**n.a.**	**D**
		Support for land		**D**									
		Support for intermediate inputs			**S**	**S**					**n.a.**		
		Support for labour											
		Support for knowledge creation											**R**
	Consumer support		**R**	**D**	**R**	**R**	**n.a.**	**D**				**R**	**R**
	General services support			**S**					**S**				**R**
Overall trend			**R**	**D**	**R**	**D**	**n.a.**	**D**	**S**	**D**	**R**	**R**	**R**

The OECD and IEA analyses indicate that there was no overall decrease in fossil fuel subsidies' cost in the world in the first year of the Pittsburgh commitment implementation. Due to the fact that G20 countries reported only a small number of existing subsidies, and that the "efficiency" of each fossil fuel subsidy is a matter of dispute, the data provided by these international organizations can be considered the only reliable independent source of information regarding the fossil fuel subsidy reform. And it shows that very little progress has been made thus far.

Countries' subsidy policies did not change as a result of a commitment made in Pittsburgh. Due to the lack of uniformity and the absence of oversight and accountability mechanism the G20 countries were able to interpret the commitment as they saw fit and eliminate the subsidies which were no longer needed or were previously scheduled for phase-out. 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".[146]

The G20 commitment to rationalize and phase-out inefficient fossil fuel subsidies was considered an important step towards sustainable development and green economy, but the inability to ensure transparent **and uniform reporting and accountability mechanisms ultimately undermines the progress.**

Thus to advance progress on:

1. **defining fossil fuel subsidies,**
2. **standardizing approaches to measuring their efficiency,**
3. **elaborating common criteria for reporting form G20 countries.**

the G20 should invite expert institutions and relevant international organizations elaborate a common definition of fossil fuel subsidies and criteria for the subsidy efficiency assessment. International organizations and experts' community engagement can provide rigor and neutrality in developing a commonly acceptable definition of fossil fuel subsidies and the criteria of their efficiency. The international organizations recommendations presented for G20 consideration may help foster the G20 future agreement on how to proceed further on the commitment.

[146] World Energy Outlook 2011, IEA. 2011

7. Development

Development

Development commitments analysis focused on the decisions in key areas agreed at the Seoul summit, including investment in infrastructure, responsible private investment in value chains, human resource development, 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 monitored.

Findings indicate that though the performance across the areas is uneven, statements on the G20 inability to deliver on the pledges made on the development agenda are not substantiated. The G20 members' average compliance on development is 0.62. The average performance on 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.

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. Other spheres with a high level of progress include clean and efficient energy technologies development and deployment (0.85), private investment and job creation (0.80), and domestic resource mobilization through enhancing sustainability of public revenue (0.70). The G20 members' average compliance on food security is 0.67.

The area where progress has been slowest is access and availability to trade with a score of 0.10. 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.

Performance on the commitment to deliver on the members' respective ODA pledges and assist the poorest countries in capacity building 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 the rest of the development community of the G20 commitment to MDGs.

7.1. Infrastructure

The report analyses the G20 its members' individual performance on making investment in infrastructure and mobilizing infrastructure financing from other sources domestically and in the developing countries. It also looks into the G20 institutional performance on the commitment to establish a High-Level Panel on Infrastructure.

At the G20 Summits in Washington in 2008, the G20 leaders first emphasized the importance of infrastructure investment as a source of sustainable growth in the developing countries.[147] The commitment to invest in infrastructure development was reiterated at the G20 Summit in London in April 2009.[148] At the Pittsburgh Summit in 2009 the Leaders for the first time highlighted the

[147] Declaration of the Summit on Financial Markets and the World Economy. URL: http://www.g20.utoronto.ca/2008/2008declaration1115.html

[148] Global Plan for Recovery and Reform, G20 Information Centre (London) April 2, 2009. Date of Access:

importance of «private-sector led growth and infrastructure to enhance opportunities for the poorest, social and economic inclusion, and economic growth».[149] The commitment made at the Seoul Summit was devoted to infrastructure investments aimed at enhancing growth potential. The Leaders committed not only to invest in infrastructure themselves, but also create conducive environment for attracting investment from other sources.[150] The critical importance of infrastructure investment for economic growth and job creation was highlighted again at the Los Cabos Summit.[151]

To foster individual members' activities in infrastructure investment, the G20 made an institutional commitment. In the Seoul Summit Document, G20 Leaders agreed to establish a High Level Panel on infrastructure (HLP) to propose measures on increasing infrastructure projects financing, particularly in low income countries, and review MDB's policy frameworks in this area.[152]

G20 performance in this area is assessed separately for institutional commitment to establish the HLP and the members' commitments to invest in infrastructure and facilitate the mobilization of infrastructure financing from other sources domestically and in the developing countries. To achieve full compliance with its institutional commitment the G20 ought to establish the HLP, support the elaboration of relevant recommendations by this institution and draw on the recommendations in elaborating subsequent decisions. The analysis revealed that the G20 has fully complied with its institutional commitment on infrastructure. For establishing the HLP, endorsing the outcomes of its work at the Cannes Summit and committing to implement infrastructure projects meeting the HLP criteria, G20 is awarded a score of +1.

To implement individual commitments the G20 members should make infrastructure investment or facilitate the mobilization of infrastructure financing both in the country and in the developing countries. On the individual commitments, a high level of performance has been observed. All members have succeeded in making infrastructure investment and facilitating the mobilization of infrastructure finance domestically. Some members (Argentina, Brazil and Indonesia) have failed to invest in infrastructure or facilitate the mobilization of infrastructure financing from other sources in the developing countries. 17 out of 20 members received the maximum score of +1 for investing in infrastructure, undertaking measures to mobilize infrastructure financing both domestically and in the developing countries. The average score of the G20 members on the individual commitments is 0.85 (Table 7.4).

The developed countries' performance has been very high, with all of them addressing both domestic and developing countries infrastructure investments needs. Typical investment in national infrastructure included construction of transportation (roads, rails, airports and ports), pipelines, dams, telecoms and public utilities, such as modernization of the water supply services. These are characteristic for both developed and developing countries. China and Brazil launched large scale housing building programmes amounting to about USD1 trillion and USD80 billion respectively.

Most initiatives have been fragmented. However, India, China, Germany and the UK have taken these measures in the framework of comprehensive plans for national infrastructure development. There have been drags on some excellent initiatives as well, a case in point is the US administration act introduced in October 2011 to establish the National Infrastructure Bank to

June 6, 2011. http://www.g20.utoronto.ca/2009/2009communique0402.html#growth.
[149] G20 Leaders Statement: The Pittsburgh Summit. URL: http://www.g20.utoronto.ca/2009/2009communique0925.html
[150] Cannes Summit Final Declaration – Building Our Common Future:Renewed Collective Action for the Benefit of All. URL: http://www.g20.utoronto.ca/2011/2011-cannes-declaration-111104-en.html
[151] Los Cabos G20 Leaders Declaration. URL: http://www.g20.utoronto.ca/2012/2012-0619-loscabos.html
[152] The Seoul Summit Document. URL: http://www.g20.utoronto.ca/2010/g20seoul-doc.html

provide financial assistance for infrastructure projects in the US (National Infrastructure Bank Act of 2011). However this act has not been passed to the Senate yet.

Support to the developing countries included mainly investment in electricity sector, construction of roads and water supply, with Germany, the UK and the EU providing the greatest amount of support in this field.

The developing countries which have acted to invest or mobilize resources for infrastructure investment in other countries (China, India, Korea, Mexico, Saudi Arabia, South Africa and Turkey) mostly focused on small projects in neighbouring countries, with the exception of China, which participated in infrastructure projects in Africa. Several countries (Mexico, Brazil, South Africa) prioritized regional integration projects.

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 abroad.

7.2. Access and Availability to Trade

The G20 leaders first addressed the issues of international trade at their inaugural meeting in Washington in 2008. Since then trade-related commitments have been made and reiterated by the G20 at each summit. (For information on the G20 members' performance on the commitment to refrain from protectionist measures see the specific section of the report). At the 2010 Seoul Summit, trade was included as one of the nine pillars to resolve the most significant bottlenecks hindering inclusive, sustainable and resilient growth. The leaders committed to improve the access and availability to trade with advanced economies and between developing and low income. For the purpose of analysis "access" and "availability" are interpreted as either a reduction in barriers to trade, or an increase in the country's capacity to engage in trade.

Thus, this is a two-part commitment. Full compliance requires member countries to remove trade barriers in respect to developing countries and assist them in enhancing their capacities to get engaged in international trade. Therefore, actions which promote trade among G20 members or among advanced economies are not included.

The first part of this commitment is based on the information from Global Trade Alert.[153] The analysis takes into consideration the number of positive and negative trade-related measures adopted by each G20 country and the EU. The difference between the numbers of positive and negative measures constitutes the compliance or the lack of compliance with the first part. The "impact on developing countries" line represents the aggregated number of countries affected by all measures taken by the G20 members. It should be specifically noted that the information in the Global Trade Alert database differs from the data presented in the WTO reports on the G20 trade-related measures. The second part of the commitment is based on actions undertaken by the G20 members intended to help developing countries improve trade among them.

The analysis revealed a low level of performance on the commitment, with the G20 average score of 0.1. Only 8 members managed to achieve full compliance (Australia, Canada, France, Germany, Mexico, South Africa, US and EU). 6 members partially complied with the commitment, receiving a score of 0 (Brazil, China, India, Korea, Russia and UK). Argentina, Indonesia, Italy, Japan, Saudi Arabia and Turkey failed to reduce the number of trade barriers and to facilitate trade between developing countries, receiving the lowest possible score.

[153] Global Trade Alert, http://www.globaltradealert.org/

The G20 members' overall performance on the commitment was mixed and does not allow to make conclusions regarding the impact of countries' income or other variable on the performance to improve the access and availability to trade with advanced economies and between developing and LICs. All three groups of countries (according to their compliance scores) contain both developing and developed economies. However, the G20 members with developed economies showed stronger performance on the second part of the commitment, which required enhancing developing countries' capacities to participate in international trade.

Russia, India and China have taken the highest number of liberalizing measures during the monitoring period – 32, 22 and 19 respectively. However, in contrast with the two other countries, Russian negative measures outnumber the positive, constituting the second biggest negative difference in the G20 (-34). This number is second only to Argentina's -59. Russia and Argentina have adopted the highest number of trade-distorting measures against developing countries during the monitoring period – 66 and 61 respectively. China, Brazil and Indonesia adopted 18, 17 and 16 measures respectively. Among the countries which adopted least measures are: Australia (2), Korea (2) and Mexico (0).

The highest positive difference between the number of liberalizing and protectionist measures was registered in India (12). Overall, 9 out of 20 G20 members did not comply with the requirement to decrease the number of trade barriers against developing countries.

The highest impact of negative trade measures on developing countries (aggregated number of countries affected by all measures taken by the G20 member) was registered for Argentina (281), followed by Russia (129) and China (110). The lowest – for Mexico (0), Australia (2) and the United States (5). The developing countries which were most affected by the G20 negative measures include: Philippines, Malaysia, Thailand, Viet Nam, Pakistan, Colombia, Chile and others.

11 members managed to take steps to advance trade directly between developing countries. The main mechanisms of advancing developing countries' capacities in this field included: participation in international organizations' projects (Australia, France, Germany, the United States, the EU); initiating regional partnerships (Canada, Germany, Mexico, the United States); direct funding of the projects aimed at technical assistance or training (Canada, the United Kingdom, the United States, the EU).
Notable undertakings in this respect include:

- Australia's decision to contribute approximately USD2.07 million to the World Trade Organization's Enhanced Integration Framework, assisting 47 low-income countries to become active in world trade. [154]
- Canada's "Canadian Market Access and Trade Capacity Building" project aimed at enhancing capacities of the developing countries, such as Guyana, Ecuador, Haiti and Burkina-Faso, in international trade through capacity-building and linkage services for small and medium enterprises in partner countries, and providing trade information.[155]

[154] Australia Assists Least Developed Countries To Benefit from the Global Trading System, Department of Foreign Affairs and Trade (Barton) 20 July 2011. Date of Access: 8 February 2012. http://www.trademinister.gov.au/releases/2011/ce_mr_110720.html
[155] Canadian Market Access and Trade Capacity Building, Canadian International Development Agency 5 April 2012. Date of Access: 10 November 2012. http://www.acdi-cida.gc.ca/CIDAWEB/cpo.nsf/vWebProjByStatusSCEn/71484E3B17AE9F9785257AAB0036F1A9

- American development strategy, which emphasizes the importance of strengthening countries' capacities to take advantage of the opportunities of the multilateral trading system and to compete in a global economy."[156]

The G20 developing members tended to use other methods of promoting developing countries' trading capacities: establishing regional free-trade agreements or other mechanisms aimed at facilitating multilateral trade (Mexico, Russia, South Africa) or engaging in talks and discussions at various international trade fora. The International Network of Mesoamerican Highways project, funded by Mexico can be cited as an example of a measure which indirectly promotes the capacities of developing countries to trade with each other. The creation of the Customs Union between Russia, Belarus and Kazakhstan is also a step towards reduction of trade barriers between the participating and other countries, given the system of trade preferences for developing and low-income countries. Another example of multilateral initiative aimed to expand developing countries' capacities to participate in international trade is the Tripartite Free Trade Agreement (T-FTA) promoted by South Africa. The T-FTA is to become a platform through which LICs can access the African and the world markets without having to incur excessive fees or costs. [157]

It is also worth noting that the G20 members prefer to establish bilateral ties with developing countries with a view to strengthening their connection to a member's national market. Such actions, however positive for the developing country's economy they may be, were not included in the analysis, as they are not directly aimed at enhancing a county's capacity to trade with other developing partners.

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 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 or LICs.

7.3. Private Investment and Job Creation

Since the 2009 Pittsburgh Summit, G20 leaders have identified the need for private sector investment to enhance economic growth, build infrastructure and support sustainable development. Leaders have launched the G20 SME Finance Challenge, a mechanism to engage the private sector in dialogue on «how public finance can maximize the deployment of private finance on a sustainable and scalable basis».[158] To foster the dialogue between the private sector and G20 leaders, the Business 20 (B20) was introduced at the Toronto Summit. The B20 facilitates informal dialogue with the leaders in global commerce and the G20 leaders and finance ministers. The Toronto Summit also specifically addressed the role of the private sector in the agricultural industry, in the pursuit of further insight into the opportunities for agricultural innovation.159 At the Seoul Summit the importance of private-sector led growth was reiterated

[156] VI. Trade Policy Development. A. Trade Capacity Building ("Aid for Trade"). Date of Access 1 March 2012. http://www.ustr.gov/sites/default/files/Chapter%20VI.%20Trade%20Policy%20Development.pdf

157 http://www.saiia.org.za/feature/trade-strategy-that-supports-development.html

[158] G20 Leaders Statement: The Pittsburgh Summit. URL: http://www.g20.utoronto.ca/2009/2009communique0925.html

[159] The G20 Toronto Summit Declaration. URL: http://www.g20.utoronto.ca/2010/to-communique.html

and the G20 Leaders committed to "identify, enhance and promote responsible private investment in value chains".[160]

To reinforce individual members' actions in this area, the G20 has given mandates to relevant international institutions (UNCTAD, UNDP, ILO, OECD and the World Bank) in the Seoul Multi-Year Action Plan on Development (MYAP). The Private Investment and Job Creation pillar of the MYAP contains four distinct action items. They are: identifying and promoting the best existing standards (developmental, social and environmental) for responsible investment in value chains; helping developing countries to attract and negotiate the most value-adding investment to their economies; engaging the private sector to find innovative business solutions that meet the needs of the poor in a sustainable way; improving the business climate and the regulatory framework for foreign and domestic investment in LICs.[161]

G20 performance in this area is assessed separately for two components. The first component includes mandates issued by the G20 Leaders, which require international organizations to provide reports with recommendations on assisting developing countries in attracting investment, stimulating investment in local enterprise development, promoting responsible investment in value chains and supporting the regulatory framework for foreign and domestic investment. To achieve full compliance with this component the G20 should support the elaboration of relevant recommendations by mandated institutions and draw on them in making subsequent decisions. The analysis revealed that international institutions have fulfilled these mandates, which confirms the G20 catalytic effect on these international institutions activities. For exerting catalytic effect on the international institutions' activities, endorsing the outcomes of their work at the Cannes and Los Cabos Summits and inviting low and middle income countries to make use of this work by implementing the proposed recommendations the G20 is awarded a score of +1.

To implement the second component, which is an individual commitment, the G20 members should identify and promote responsible private investment in value chains. Partial compliance is registered if a member either identifies or promotes responsible private investment in value chains. A high level of performance on the individual commitments has been registered. All members have succeeded in identifying responsible private investment in value chains. Four members (India, Italy, Korea and Russia) failed to promote responsible private investment and corporate social responsibility. Thus, 16 out of 20 members were awarded the maximum score of +1 for both identifying and promoting responsible private investment in value chains. The average score of the G20 members on the individual commitment is 0.80 (Table 7.4.).

The developed and developing countries have demonstrated equal levels of performance. Typical actions to identify responsible private investment included participating in international cooperation on responsible investment or adopting domestic standards for responsible private investment and corporate social responsibility. The majority of the G20 members (Argentina, Australia, Brazil, Canada, France, Germany, Italy, Japan, Korea, Mexico, Turkey, the UK and the U.S.) committed to the updated OECD Guidelines for Multinational Enterprises. Japan was the first nation to volunteer for a peer review process in the framework of the OECD Guidelines for Multinational Enterprises in April 2012. South Africa and the UK adopted the national codes of responsible investment. Indian Ministry of Corporate Affairs published Corporate Social Responsibility Guidelines. Though they are not legally binding, compliance with them is monitored by the Ministry. The Mexican Congress signed into legislation the Public-Private

---

[160] The Seoul Summit Document. URL: http://www.g20.utoronto.ca/2010/g20seoul-doc.html
[161] Annex II: Multi-Year Action Plan on Development. URL: http://www.g20.utoronto.ca/2010/g20seoul-development.html

Partnership Act which aims to foster public and private investments in infrastructure, with the goal of improving social welfare and technological innovation.

Some initiatives aim to promote responsible investment in certain sectors, such as construction. For instance, the Chinese Ministry of Housing and Urban-Rural Development issued a notice to attract investment into the construction of low-rent, public-rent, affordable and price-capped housing, and renovation of rundown houses in the country. Private investors that help fund low-income housing projects are offered preferential tax rates, and exempted from administrative service fees and other government charges; are allowed to issue corporate bonds, the value of which should not exceed that of the investment, to fund their construction.

Most initiatives to promote responsible private investment focused on domestic markets. However, Australia, Canada, China, Germany, Japan, the UK and the US have taken measures to enhance responsible private investment in the developing countries. A good case is the German Initiative for Agribusiness and Food Security in Emerging and Developing Countries. The Initiative will facilitate the coordination of strategic projects for private sector in developing and emerging economies through the expertise sharing network to foster development in the agribusiness and food sector, "linking political goals such as food security for the people with the goal of sustainable economic viability". The Initiative also aims to help farmers in tapping the potential of the agricultural sector and making use of synergies along the value chain.

Another case is the UK Government grants from the Food Retail Industry Challenge to help British businesses to work with African suppliers trading in ethical goods aiming to help African farmers to reap the financial rewards of global trade, helping them to work their way out of poverty.

Those G20 members that have not complied with the individual commitment have acknowledged the importance of promoting responsible private investment, but failed to take specific measures aimed at achieving this goal.

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

This report aims to analyze the G20 performance against the main objectives of its food security agenda, highlighting the members' individual compliance with the commitments, the institutional compliance with the collective commitments and the outcome of the G20 mandates to international organizations.

The issue of food security was first extensively addressed in the documents of G20 at the Pittsburgh 2009 summit. Supporting "the food security initiative announced in L'Aquila and efforts to further implement the Global Partnership for Agriculture and Food Security and to address excessive price volatility" the leaders discussed ways to enhance agricultural productivity, facilitate access to technology, and improve food availability in close cooperation with relevant specialized international agencies. They also addressed the issue of food price volatility and underscored the importance of sustained funding and targeted investment in agriculture for improving long-term food security. [162] At the G20 summit in Seoul in 2010 the leaders committed: "[We will] enhance food security policy coherence and coordination and increase agricultural productivity and food availability, including by advancing innovative results-based mechanisms, promoting responsible agriculture investment, fostering smallholder agriculture, and inviting relevant international organizations to develop, for our 2011 Summit in

[162] The Leaders Statement: The Pittsburgh Summit, 25 September 2009. http://www.g20.utoronto.ca/2009/2009communique0925.html

France, proposals to better manage and mitigate risks of food price volatility without distorting market behavior”. [163]

On 23 June 2011 the ministers of agriculture of the G20 member countries adopted the Action Plan on Food Price Volatility and Agriculture. The five objectives outlined in the Action Plan partially correspond with the main points of abovementioned commitment and develop them:

1) improve agricultural production and productivity both in the short and long term in order to respond to a growing demand for agricultural commodities;
2) increase market information and transparency in order to better anchor expectations from governments and economic operators;
3) strengthen international policy coordination in order to enhance confidence in international markets and to prevent and respond to food market crises more efficiently;
4) improve and develop risk management tools for governments, firms and farmers in order to build capacity to manage and mitigate the risks associated with food price volatility, in particular in the poorest countries;
5) improve the functioning of agricultural commodities’ derivatives markets.[164]

At the Cannes summit on 3-4 November 2011 the G20 leaders decided “to act in the framework of the Action Plan on Food Price Volatility and Agriculture agreed by our Ministers of Agriculture in June 2011”,[165] thus reaffirming their commitment to the five main objectives of the Action Plan adopted on 23 June 2011.
Considering the centrality of the Action Plan on Food Price Volatility and Agriculture to the G20 food security agenda, the analysis focuses on the principles of this Plan, allowing for a comprehensive coverage of all the main issues of the agenda.
Individual and collective commitments for compliance assessment were selected in each area. Selection was based on the commitments’ comprehensiveness and significance for the fulfillment of each of the stated principles.

For the purpose of the analysis the commitments made by the G20 were divided into three components:

1. **Individual commitments**. This set of commitments requires countries to undertake certain actions individually, either at a national level or internationally. Compliance with individual commitments constitutes the first part of the assessment.
2. **Collective commitments**. These commitments require the G20 as an institution to promote certain initiatives, create and uphold institutions at an international level. Compliance with collective commitments shows the capacity of the institution to act as a whole and coordinate actions of its members.
3. **Mandates**. Mandates issued by the G20 leaders or ministers require international organizations to provide reports, recommendations, perform research, monitoring and other activities. The fulfillment of a mandate is the indicator of effectiveness of the G20 cooperation with other international institutions, which is essential for the achievement of the food security objectives.

The institution’s performance assessment is based on the average compliance score in each area, which is, in turn, based on the average score for each objective of the Action Plan on Food Price Volatility and Agriculture.

---

[163] The G20 Seoul Summit Leaders’ Declaration, 12 November 2010. http://www.g20.utoronto.ca/2010/g20seoul.html
[164] Action Plan on Food Price Volatility and Agriculture, 23 June 2011. http://agriculture.gouv.fr/IMG/pdf/2011-06-23_-_Action_Plan_-_VFinale.pdf
[165] Cannes Summit Final Declaration, 4 November 2011. http://www.g20.utoronto.ca/2011/2011-cannes-declaration-111104-en.html

Individual commitments

Compliance with individual commitments constitutes the first part of the assessment. Each commitment in this set is assessed separately as outlined below.

1.a. We commit ourselves to implementing a broad scope of actions to boost agricultural growth. In this whole range of actions, we will give special attention to smallholders, especially women and young farmers, in particular in developing countries.

This commitment requires G20 members to implement measures aimed at boosting agricultural growth, particularly in (but not limited to) developing countries.

To achieve full compliance the member should implement at least one of the abovementioned measures domestically, and promote their implementation in developing countries.

1.b. We will promote sustainable crop diversification and agricultural systems which contribute to positive externalities and a sustainable use of natural resources in particular land, water and biodiversity.

This commitment requires members to promote agricultural practices which positively affect the environment and natural resource consumption.

To achieve full compliance members need to promote the use of these practices both domestically and in developing countries (either bilaterally or through international organizations).

2.a. We commit to taking part in this initiative (Agricultural Market Information System (AMIS)) by disclosing reliable, quality, accurate, timely and comparable data and where needed to improving our national systems of collection and dissemination of such data.

This commitment requires G20 members to take part in the work of Agricultural Market Information System (AMIS) and to improve their national systems of collection and dissemination of agricultural data.

To achieve full compliance members need to participate in the work of AMIS and improve their national systems of collection and dissemination of agricultural data if needed.

3.a. We agree to remove food export restrictions or extraordinary taxes for food purchased for non-commercial humanitarian purposes by WFP and agree not to impose them in the future.

This is a two-part commitment. First, it requires G20 members to remove the existing food export restrictions or extraordinary taxes for food purchased by the World Food Program. Second, the commitment calls for G20 members not to impose such export restrictions in the future.

For full compliance the members needed to deliver on both components of the commitment.

Compliance assessment for G20 members that had not introduced food export restrictions should be carried out in a different way. All of these members register compliance with the first part of the commitment. Thus, the minimum score they can receive is zero. If they do not impose new restrictions upon humanitarian food export, they get a score of +1.

4.a. We support initiatives to maximize efficient delivery of food assistance and strengthen supply chains against price and supply shocks, in particular through forward positioning networks and mainstreaming risk management in international food assistance procurements.

The commitment requires G20 countries to take actions towards increasing the efficiency of food assistance delivery and strengthening supply chains against price and supply shocks.

To achieve full compliance members need to take actions aimed directly at maximizing the efficiency of food assistance delivery bilaterally and multilaterally (through international organizations).

5.a [In light of the G20 Agriculture Ministers Action Plan on Food Price Volatility and Agriculture, we aim at improving global food security through a set of concrete actions, prepared on the basis of the work of international organizations which was coordinated by FAO and OECD…] In this context, we stress the importance of the work being done under the guidance of Finance ministers on commodity financial markets regulation.

The commitment requires G20 countries to strengthen financial regulation and oversight with an aim to improve the functioning of agricultural commodities' derivatives markets. Appendix A to the report "Principles for the Regulation and Supervision of Commodity Derivatives Markets" by Technical Committee of the International Organization of Securities Commissions (IOSCO) provides a comprehensive list of possible actions falling into several main groups of principles:

1. Contract Design Principles;
2. Principles for Surveillance of Commodity Derivatives Markets;
3. Principles to Address Disorderly Commodity Derivatives Markets;
4. Principles for Enforcement and Information Sharing;
5. Principles for Enhancing Price Discovery on Commodity Derivatives Markets.[166]

Each of these groups contains several possible actions, aimed at improving the functioning of commodities' derivatives markets.

To achieve full compliance members need to implement at least one measure in more than three of the abovementioned areas, which positively affects the functioning of agricultural commodities' derivatives markets. The monitoring should not be limited to identification of one of the stated actions.

The analysis of the G20 members' compliance with individual commitments revealed a relatively high level of performance. The G20 average score is 0.67. Four members managed to achieve full compliance with all the commitments in each area. These are: Australia, Canada, France and Germany. Japan, Korea, South Africa, the United States and the European Union also received high average compliance scores ranging from 0.7 to 0.9. On the other hand, China and Turkey received low compliance scores of 0.1 and 0.3 respectively (Table 7.1).

[166] Principles for the Regulation and Supervision of Commodity Derivatives Markets, IOSCO September 2011. http://www.iosco.org/library/pubdocs/pdf/IOSCOPD358.pdf

Table 7.1. G20 members' compliance with individual food security commitments.

Objective	Agricultural productivity			Market information and transparency	International policy coordination	Risk mitigation and management	Agricultural commodities' derivatives markets	Average
Commitment	Boost agricultural growth	Sustainable agricultural practices	Total	AMIS and national information systems	Remove export restrictions	Food delivery efficiency		
Argentina	1	0	0.5	1	1	-1	1	0.5
Australia	1	1	1	1	1	1	1	1
Brazil	1	0	0.5	0	1	1	1	0.7
Canada	1	1	1	1	1	1	1	1
China	1	0	0.5	0	0	-1	1	0.1
France	1	1	1	1	1	1	1	1
Germany	1	1	1	1	1	1	1	1
India	0	0	0	1	1	0	1	0.6
Indonesia	0	0	0	1	1	-1	1	0.4
Italy	1	1	1	1	1	0	-1	0.4
Japan	1	0	0.5	1	1	1	1	0.9
Korea	1	1	1	1	1	0	1	0.8
Mexico	1	0	0.5	1	1	-1	1	0.5
Russia	1	1	1	1	1	0	0	0.6
Saudi Arabia	1	1	1	1	1	-1	1	0.6
South Africa	1	0	0.5	1	1	0	1	0.7
Turkey	1	0	0.5	1	1	-1	0	0.3
UK	1	1	1	1	1	-1	1	0.6
US	1	1	1	1	1	0	1	0.8
EU	1	1	1	1	1	0	1	0.8
G20 average	0.9	0.55	0.73	0.9	0.95	-0.05	0.8	0.67

The analysis indicates that the G20 members were most successful in delivering on the third principle, outlined in the Action Plan on Food Price Volatility and Agriculture - to "strengthen international policy coordination in order to enhance confidence in international markets and to prevent and respond to food market crises more efficiently", achieving the average score of 0.95 (only China did not manage to comply with that objective). The G20 members were also successful in increasing market information and transparency in order to better anchor expectations from governments and economic operators (the second objective). 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. The first objective, which was split into two commitments was also successfully complied, with an average score of 0.7.

The characteristic examples of the members' actions on the first objective to improve agricultural production and productivity include:

- Australian international development programs in Africa and Asia-Pacific Region aimed at funding, technical assistance, experience sharing to help developing countries improve their agricultural production.
- Canada's contribution to the UN World Food Program (WFP) totaling USD 350 million over five years.
- Germany's contribution of USD827,000 to the project work conducted by the Global Crop Diversity Trust (GCDT) to ensure the conservation and availability of crop diversity.

On the second objective, to increase market information and transparency, the member's performance was relatively uniform, with all countries' participation in the work of AMIS. The countries, which did not manage to achieve full compliance, lacking transparent national systems of agricultural information include: Brazil, China and Indonesia.

All countries but China successfully delivered on the objective to strengthen international policy coordination not introducing new and removing previously imposed export restrictions on food purchased for humanitarian purposes by the WFP. The Chinese government failed to remove the restrictions, introduced before the 2010 Seoul Summit, on exports of wheat maize, rice, corn and soybean, vegetable oils and maize flour.

The fourth objective of the Action Plan, 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. The analysis took account only of the members' efforts directly aimed at increasing the effectiveness of supply chains and maximizing the efficiency of food assistance delivery. The performance was weak with the average score of -0.05. Only 6 countries managed to fulfill it (Australia, Brazil, Canada, France, Germany and Japan). France, for example, did so by actively involving NGOs, international organizations, such as Red Cross and the UN institutions. The collective efforts were aimed at increasing the effectiveness of French humanitarian aid allocation to the Horn of Africa, which was tripled by the French president on 1 August 2011.

The G20 performed successfully on the objective to improve the functioning of agricultural commodities' derivatives markets. Successful actions in this field included issuing of new regulation standards, which directly affected 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.

Collective commitments

The collective commitments' assessment focuses on the initiatives put forward and the institutions created by the G20. The primary criterion for the analysis is establishment and effective functioning of the institution according to its intended purpose, outlined in the official documents of the G20.

The collective commitments are the following:

1.c. We decide to launch an International Research Initiative for Wheat Improvement (IRIWI) in order to coordinate our research efforts on this major crop for food security. This initiative, targeted on wheat and durum wheat, is complementary to on-going research efforts, particularly in the CGIAR research programs in order to avoid duplication of on-going work.

2.b. We decide to launch the Agricultural Market Information System (AMIS) in order to encourage major players on the agri-food markets to share data, to enhance existing information systems, to promote greater shared understanding of food price developments, and further policy dialogue and cooperation.

2.c. In order to improve crop production projections and weather forecasting, with the use of modern tools, in particular remote sensing tools, we decide to launch, via the Group on Earth Observation, an international voluntary network of agricultural production monitoring based on geoinformation. This "Global Agricultural Geo-Monitoring Initiative" will be a useful input for AMIS concerning the provision of more accurate crop forecasts data.

3.b. We decide to establish a Rapid Response Forum (RRF) within the framework of the Agricultural Market Information System (AMIS).

4.b. We support the development of a proposal for a targeted emergency humanitarian food reserves system to complement existing regional and national food reserves, in response to the expressed needs of developing countries.

5.b. We commit to improve market information and transparency in order to make international markets for agricultural commodities more effective. To that end, we launched:

- The "Agricultural Market Information System" (AMIS) in Rome on September 15, 2011;
- The "Global Agricultural Geo-monitoring Initiative" in Geneva on September 22-23, 2011.

In the framework of the fifth objective of the Action Plan on Food Price Volatility and Agriculture the G20 countries committed to improve market information and transparency through creation of Agricultural Market Information System and Global Agricultural Geo-monitoring Initiative. Thus, the fifth objective for collective compliance of the G20 is assessed as the average score, received for the commitments, related to the establishment and the functioning of the AMIS, RRF and GAGMI.

The analysis of the G20 compliance with collective commitments indicates full compliance, with a score of 1. (Table 7.2).

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.[167] 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.**[168]** The launch of Agricultural Market Information System (AMIS) is indicative of the G20 and relevant partner institutions to finalize the initiatives and bring the institutions to full operation.

The G20 future efforts should continue to focus on completing the launch and ensuring effective functioning of the Global Agricultural Geo-Monitoring Initiative and PREPARE system.

Table 7.2. G20 compliance scores on collective food security commitments

<table>
<tr><td>Principle</td><td>Agricultural productivity</td><td colspan="2">Market information and transparency</td><td>International policy coordination</td><td>Risk mitigation and management</td><td>Agricultural commodities' derivatives markets</td><td rowspan="2">Average</td></tr>
<tr><td>Commitment</td><td>IRIWI</td><td>AMIS</td><td>GAGMI</td><td>RRF</td><td>PREPARE</td><td>Market information and transparency</td></tr>
<tr><td>G20</td><td>1</td><td>1</td><td>1</td><td>1</td><td>1</td><td>1</td><td>1</td></tr>
</table>

Mandates

The third part of the assessment deals with G20 cooperation with other international institutions through mandates. The first criterion of the assessment is international organization's compliance with the mandate given by the G20. The second criterion is the G20 response to the international organization(s) document submitted to the G20 in accordance with the mandate. The mandate implementation is indicative of the G20 catalytic effect, and G20 action on the international recommendations evidences coherence of the G20 and the international institutions actions. Thus for full compliance the mandate should be fulfilled and the G20 should draw on the recommendations to make further decisions.

The analysis of the G20 and international organizations' joint work on the food security agenda revealed a high level of performance in this field, 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.

[167] 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

n[168] 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

Table 7.3. G20 compliance scores on food security mandates

Madate	Examine and recommend potential innovative results-based mechanisms	Monitor progress on food security commitments and report back	Identify bottlenecks and opportunities to increase policy coherence for food security	Mitigate and manage the risks associated with the price volatility	Develop options for promoting responsible investment in agriculture	Average
G20	1	0	1	1	1	0.8

Based on the average scores for individual and collective commitments and the institution's cooperation with relevant international organizations the overall performance of the G20 against the main objectives of its food security agenda is assessed as 0.82. The score indicates an average level of the institution performance during the monitoring period, with plenty of room for improvement in each area: individual, collective and inter-institutional.

7.5. Growth with Resilience

The report analyses the G20 members' performance on the commitments to promote resilient growth, which are comprised of strengthening social protection programs in developing countries and facilitating the flow of international remittances.

In the Seoul Multi-Year Action Plan on Development the G20 singled out social protection systems and international remittances as foundations of resilient growth, as these two issues "play an important role in providing income security for poor communities, … providing buffers … from the impact of external shocks and contributing to the maintenance and enhancement of aggregate demand".[169] At the Cannes summit these two actions were strengthened with more concrete pledges. The G20 leaders clarified that they would support developing, especially low income countries, in "the implementation and expansion of nationally-designed social protection floors". On the remittances they set the 5% target of the average transferring cost to be achieved by 2014, noting that this will contribute to release of "an additional 15 billion USD per year for recipient families".

Thus, assessment of performance in this area was based on two elements: strengthening social protection systems in developing countries[170] and facilitating flows of international remittances. For full compliance a member needs to address both elements.

The average compliance in this area was relatively low (+0.45) with three countries failing to comply with commitments on both parts and six countries complying partially.

According to the ILO Global Jobs Pact a basic social protection floor includes the following components: "access to health care, income security for the elderly and persons with disabilities, child benefits and income security combined with public employment guarantee schemes for the unemployed and working poor."[171]

[169] Annex II: Multi-Year Action Plan on Development. http://www.g20.utoronto.ca/2010/g20seoul-development.html.

[170] Only actions to support the implementation and expansion of nationally-designed social protection floors abroad (including in developing G20 member-countries) were registered as compliance.

[171] Recovering from the crisis: A Global Jobs Pact. June 2009. Date of Access: 28 February 2012. http://www.ilo.org/wcmsp5/groups/public/---ed_norm/---relconf/documents/meetingdocument/wcms_108456.pdf.

Almost all G20 countries have contributed to supporting social protections systems in developing countries. The exceptions include: Argentina, India and South Africa for which no relevant facts of compliance have been registered. The majority of measures taken were aimed at supporting national health and education systems in developing countries through creation of appropriate infrastructure and training specialists. Several countries (Australia, Japan) have launched special projects on improving the lives of people with disabilities. Many emerging countries have been supporting social protection programs through South-South cooperation and sharing their own experience in social sphere. The information sharing activities were facilitated by the UNDP and other international organizations, which published reports on best practices and organized relevant international events.[172]

The Social Protection Floor Report prepared by the International Labor Organization in 2012 welcomed the G20 commitment to "promote exchange of information, experiences and knowledge through the development of a knowledge-sharing platform, which would include both specific cases of successful experiences and technologies that could be transferred among countries" and recommended that "the G20 elaborate an action plan to implement its conclusions and put in place effective mechanisms, in coordination with international organizations, to monitor and report on the progress towards extending social protection coverage."

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.

G20 includes both remittance sending and remittance receiving countries. According to the World Bank Remittance Prices Worldwide portal G20 sending countries include: Australia, Brazil, Canada, France, Germany, Italy, Japan, Korea, Saudi Arabia, South Africa, Russia, UK, and the US; G20 receiving countries include: Argentina, Brazil, China, India, Indonesia, Korea, Mexico, South Africa and Turkey.[173] The countries that are both sending and receiving countries, such as Korea, South Africa and Brazil, were scored as sending countries. Given this distinction, compliance was evaluated differently between the sending and receiving groups. A sending country is considered on track towards full compliance if it currently has average transfer costs valued at below 10% for USD200 and USD500 dollar transfer amounts or has reduced outgoing transfer costs for remittances during the monitoring period. A receiving country is considered on track towards full compliance if it implements policies consistent with at least one of the five World Bank Principles for International Remittance Services.[174]

Among receiving countries only India and Indonesia has taken actions in line with the World Bank remittances principles. These actions included various types of government support to strengthen capacity of commercial banks operating with remittances. No facts of implementing the World Bank remittances principles have been registered for all other receiving countries (Argentina, China, Mexico, Turkey).

Several sending countries have already reduced the transfer costs below 10% (Brazil, Italy, Korea, UK, US). Russia and Saudi Arabia have already reached the targets of 5% costs for both transfer amounts used by the World Bank (USD200 and USD500). Some countries have average transfer cost above 10% for both or one of the transfer amounts. In several of them costs have been reduced during the monitoring period (Australia, Canada, Germany). At the same time in

[172] Sharing Innovative Experiences: Successful Social Protection Floor Experiences, International Labour Organization 2011. Date of access: 23 April 2012 http://www.ilo.org/gimi/gess/RessFileDownload.do?ressourceId=20840

[173] Remittance Prices Worldwide, World Bank (Washington) 2012. Date of Access: 7 April 2012. http://remittanceprices.worldbank.org/

[174] Reducing Transfer Costs of Migrant Remittances, World Bank (Washington) June 2011. Date of Access: 6 February 2012. http://siteresources.worldbank.org/INTECA/Resources/June2ECARemittance.pdf

several countries with transfer costs above 10% the costs have increased during the monitoring period (France, Japan, South Africa).

EU compliance with the remittances part of this commitment can not be assessed because changes in average remittance transfers vary across member states. At the same time, the European Commission has taken a number of measures aimed at reducing remittance costs, consistent with World Bank's Principles for International Remittance Services.

The World Bank analytical work on remittances was very important for analyzing G20 countries' progress in this area.

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

The G20 members for the first time committed to promote financial inclusion at the Pittsburgh Summit along with announcing the establishment of the SME Finance Challenge. Selection of proposals for this initiative was completed prior to the G20 Seoul Summit, and the winners were announced at this meeting. A set of additional measures on financial inclusion was proposed, including the launch of the Global Partnership for Financial Inclusion.[175] The report assesses compliance performance on financial inclusion commitments made in Seoul and Cannes.

As comprehensive data on individual G20 members' compliance with the financial inclusion commitment is not available, and the Global Partnership for Financial Inclusion (GPFI) work on creating conducive environment for stimulating financial inclusion is ongoing, assessment is provided only for institutional part of the set of commitments.

Full compliance implies that the GPFI is established in accordance with the G20 mandate and the agreed timeline, GPFI implements the actions agreed within the framework of the G20 Financial Inclusion Action Plan, and the G20 makes subsequent decisions on the basis of GPFI further proposals.

The G20 key decisions on financial inclusion focus on several initiatives: establishment of the Global Partnership for Financial Inclusion, GPFI Action Plan implementation, identifying best proposals to mobilize finance within the SME Finance Challenge, scaling up successful SME financing models and knowledge sharing on best practices for small and medium enterprise (SME) finance.

At the Seoul G20 Summit, SME Finance Challenge winning projects were announced, and commitments to provide USD528 million for the SME Finance Framework were made.[176] Besides, G20 Leaders endorsed the Financial Inclusion Action Plan.[177]

The first meeting of the GPFI mandated to execute the Financial Inclusion Action Plan took place in Seoul, Korea in December 2010. Three subgroups were created within the GPFI, namely, Principles for Innovative Financial Inclusion and Standard Setting Bodies (SSBs) Engagement, SME Finance, and Financial Inclusion Data and Measurement.

On behalf of the GPFI, the GPFI Implementing Partner the Consultative Group to Assist the Poor (CGAP) has prepared a white paper on Global Standard-Setting Bodies and Financial

[175] Our Progress, Global Partnership for Financial Inclusion. Date of Access: 05.11.2012. URL: http://www.gpfi.org/our-work/our-progress

[176] Competition News, Changemakers. Date of Access: 05.11.2012. URL: http://www.changemakers.com/SME-Finance/winners#tab-section

[177] G20 Financial Inclusion Action Plan, Global Partnership for Financial Inclusion 08 November 2011. Date of Access: 05.11.2012. URL: http://www.gpfi.org/our-work/work-plans/g20-financial-inclusion-action-plan

Inclusion for the Poor,[178] providing information on ongoing work by relevant international institutions (BCBS, CPSS, FATF, IADI and IAIS) to integrate financial inclusion into standards and guidance that can be effectively applied at the country level.

At the G20 Cannes Summit, the GPFI reported on its work to the G20 Leaders. A consolidated report of the three subgroups focused on GPFI main achievements, recommendations for further actions were presented to the G20 Leaders. The recommendations focused on promoting further implementation of the nine Principles for Innovative Financial Inclusion, consolidating the progress made in meeting the G20's commitment to establishing a finance framework that mobilizes grant and risk capital for winning proposals from the SME Finance Challenge and for scaling up successful SME financing models,[179] strengthening the data collection effort with the support of the IFC and CGAP.[180] The GPFI has also elaborated the SME Finance Policy Guide aimed at scaling up successful SME financing models, which was presented to the G20 Leaders in Cannes. The subgroup on SME Finance provided research reports on agricultural SME financ [181] and strengthening access to finance for women-owned SMEs in developing countries. [182] The subgroup on Data and Measurement issued a progress report with recommendations on financial inclusion data analysis, which proposed key performance indicators for country-level actions on financial inclusion.[183]

In April 2012, the SME Finance Forum was officially launched. This Forum, managed by International Finance Corporation (IFC), is a «collaborative knowledge sharing platform for data, research and best practices for small and medium enterprise (SME) finance».[184]

At the G20 Los Cabos Summit, the G20 Leaders welcomed the progress on implementing the recommendations set out in the GPFI 2011 report and called on the GPFI to continue its work in this area. The G20 Leaders endorsed the GPFI-developed Basic Set of Financial Inclusion Indicators[185] aimed at improving the quantity and quality of data on financial inclusion. They also supported efforts to establish an additional GPFI subgroup which will be focused on «consumer protection and financial literacy issues» and acknowledged the «G20 Financial Inclusion Peer Learning Program». Under this program, both G20 and non-G20 countries committed to pay more attention to the issue of financial inclusion in their national agendas and create a high-level coordination platform for stimulating financial inclusion actions.[186] Finally,

---

[178] Global Standard-Setting Bodies and Financial Inclusion for the Poor - Toward Proportionate Standards and Guidance, Global Partnership for Financial Inclusion October 2011. Date of Access: 05.11.2012. URL: http://www.gpfi.org/sites/default/files/documents/White-Paper-Global-Standard-Setting-Bodies-Oct-2011.pdf

[179] SME Finance Policy Guide, Global Partnership for Financial Inclusion 04 November 2011. Date of Access: 05.11.2012. URL: http://www.gpfi.org/knowledge-bank/publications/sme-finance-policy-guide

[180] GPFI Report to the G-20 Leaders, Global Partnership for Financial Inclusion 08 November 2011. Date of Access: 05.11.2012. URL: http://www.gpfi.org/knowledge-bank/publications/gpfi-report-g-20-leaders

[181] Scaling-Up Access to Finance for Agricultural SMEs, Global Partnership for Financial Inclusion 04 November 2011. Date of Access: 05.11.2012. URL: http://www.gpfi.org/knowledge-bank/publications/scaling-access-finance-agricultural-smes

[182] Strengthening Access to Finance for Women-Owned SMEs in Developing Countries, Global Partnership for Financial Inclusion 04 November 2011. Date of Access: 05.11.2012. URL: http://www.gpfi.org/sites/default/files/documents/Strengthening.pdf

[183] Financial Inclusion Data: Assessing the Landscape and Country-Level Target Approaches, Global Partnership for Financial Inclusion 04 November 2011. Date of Access: 05.11.2012. URL: http://www.gpfi.org/knowledge-bank/publications/financial-inclusion-data-assessing-landscape-and-country-level-target-approaches

[184] Timeline of the G20's Commitment to Financial Inclusion, Global Partnership for Financial Inclusion. Date of Access: 05.11.2012. URL: http://www.gpfi.org/about-gpfi/about-the-g20/timeline-g20s-commitment-financial-inclusion

[185] The G20 Basic Set of Financial Inclusion Indicators, Global Partnership for Financial Inclusion. Date of Access: 05.11.2012. URL: http://www.gpfi.org/featured/g20-basic-set-financial-inclusion-indicators

[186] Los Cabos Financial Inclusion Event, Mexican Presidency of the G20 17 June 2012. Date of Access: 05.11.2012. URL: http://www.g20mexico.org/index.php/en/press-releases/459-evento-de-inclusion-financiera-en-los-cabos

the G20 Leaders welcomed the launch of the SME Finance Compact that «will support developing innovative models and approaches to address the specific access to finance challenges and constraints faced by developing countries with regards to SME finance».[187]

Recent developments in the area include the first annual GPFI Conference on Standard-Setting Bodies and Financial Inclusion held on 29 October 2012. The conference focused on promoting financial inclusion through proportionate SSB standards.[188] The Conference was followed by a Technical Meeting on 30 October 2012. The meeting was devoted to the practical aspects of promoting financial inclusion through SSB engagement and aimed to reveal the work plans of the GPFI Sub-Group on G20 Principles for Innovative Financial Inclusion and Engagement with the Standard-Setting Bodies under the upcoming Russian G20 Presidency.[189]

Thus, G20 receives a score of +1 for launching the GPFI and 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 Resource Mobilization through Enhancing Sustainability of Public Revenue

The G20 has a history of taking a strong stand against off-shore financial centers, or tax havens, which are said to promote «financial instability, money laundering, terrorist finance, and tax evasion». Moreover, these havens can create «harmful tax competition between states, carrying risks of distorting trade and investment», possibly leading to «the erosion of national tax bases».[190] At the London Summit, the G20 leaders agreed to take action on tax havens and «deploy sanctions to protect public finances and financial systems».[191] Since London, this has been a consistent part of the G20's work. At the Soul Summit, the G20 Leaders pledged to "build sustainable revenue bases for inclusive growth and social equity by improving developing country tax administration systems and policies and highlighting the relationship between non-cooperative jurisdictions and development." Thus, it was the first and only commitment made by the G20 leaders to help developing countries improve tax administration capacities.

G20 performance in this area is assessed by analyzing G20 members' compliance with the Seoul Summit commitment. It is a two-part commitment. First, it calls on G20 members to help developing countries in improving their tax administration systems and policies, with a view to sustainably increasing public revenue. Second, it provides for highlighting the negative relationship between non-cooperative jurisdictions and development by the G20 members. To achieve full compliance with this commitment, the G20 members should both take measures to

[187] Los Cabos G20 Leaders Declaration, 19 June 2012. URL: http://www.g20.utoronto.ca/2012/2012-0619-loscabos.html

[188] Financial Inclusion – A Pathway to Financial Stability? Understanding the Linkages, 29 October 2012. URL: http://www.gpfi.org/knowledge-bank/publications/issues-paper-3-financial-inclusion-pathway-financial-stability-understanding-linkages

[189] First Annual GPFI Conference and Technical Meeting on Standard-Setting Bodies and Financial Inclusion. URL: http://www.gpfi.org/featured/first-annual-gpfi-conference-and-technical-meeting-standard-setting-bodies-and-financial-inclusion

[190] Dries Lesage, The G20 and Tax Havens: Maintaining the Momentum? Paper prepared for the conference "Governing the Global Economy: The Role of the G20" at the University of Toronto, June 18, 2010. Preliminary Draft. http://www.g20.utoronto.ca/biblio/lesage-tax-havens.pdf.

[191] Global Plan for Recovery and Reform. URL: http://www.g20.utoronto.ca/2009/2009communique0402.html.

improve developing countries' tax administration systems and policies and highlight the negative relationship between non-cooperative jurisdictions and development. Partial compliance is registered if a member takes measures in one of these action areas.

A high level of performance on the domestic resource mobilization commitment has been registered. All members except Indonesia have succeeded in highlighting the negative relationship between non-cooperative behavior and development through cooperation in international and regional task forces and forums. 15 out of 20 members have been awarded the maximum score of +1 for both improving developing countries' tax administration systems and policies and highlighting the relationship between non-cooperative jurisdictions and development. Five members (China, Indonesia, Japan, Korea and Saudi Arabia) have failed to assist in improving tax administration policies in the developing countries. Thus, the average score of the G20 members on this commitment is 0.70.

The developed countries have demonstrated the highest level of performance complying with both parts of the commitment. Typical actions to highlight the relationship between non-cooperative jurisdictions and development included contribution to activities of the Financial Action Task Force, Global Forum on Transparency and Exchange of Information for Tax Purposes, cooperation within regional and international partnerships on financial integrity and economic development. Signing taxation information exchange agreements (TIEAs) and double taxation conventions (DTCs) with the developing countries has also be instrumental both for improving developing countries tax administrative systems, and enhancing their transparency and strengthening cooperation, thus contributing to development.

In the October 2012 Conclusions the EU's 27 development ministers committed that developing countries will receive the EU's assistance in combating illicit capital flows by supporting the upgrading of capacities in developing countries and by encouraging EU companies working in those countries to "pay their fair share in taxes" and "improve the transparency of their payments to governments" in line with the guidelines set out by the OECD. Some countries have been actively involved in bilateral initiatives to address non-cooperative behavior. For instance, the UK Government in October 2011, announced the launch of two pilot projects aimed to help Ghana and Kenya build capacity and reinforce the legal infrastructure necessary for tax transparency and co-operation.

Measures to improve developing countries tax administration systems and policies mainly included participation in international and regional institutions' activities.

But there have been a number of targeted events and new programmes. An example is Germany's support of a study visit to the tax administration of Mexico City to help strengthen tax collection in Mexico and other Latin American countries. The Russian Government in 2011 organized a conference "Thinking of Taxes in a New Way" which focused on defining the link between tax transparency and economic growth in the CIS countries.

In March 2011 President Obama announced a new program, Domestic Finance for Development (DF4D), which will assist countries to mobilize domestic resources by improving public tax administration, improving transparency and reducing corruption.

The EU development ministers committed to a comprehensive approach comprised of mobilisation of domestic resources, debt relief, fostering private flows, leveraging finance for development. The Council agreed in its October 2012 Conclusions to systematically incorporate tax administration into policy dialogue with partner countries and support tax policy, administration, collection and reform.

Developing countries' actions on this commitment focused primarily on signing TIEAs and DTCs, taking part in conferences and workshops on tax matters, and expressing support to international tax transparency and cooperation initiatives. However, India has made a financial contribution to improve developing countries tax administration systems and policies through the disbursement of USD300,000 for the Global Forum on Transparency and Exchange of Information for Tax Purposes.

Some developing countries that have not fully complied with this commitment have highlighted the negative relationship between non-cooperative jurisdictions and development, but failed to take specific measures to help developing countries strengthen their tax systems and policies.

Despite the relatively high G20 average level of performance on developing countries 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

The G20 members' commitment on meeting the Millennium Development Goals (MDGs) was first reaffirmed at the London summit.[192] At the Seoul summit G20 leaders committed to take "concrete actions to increase our financial and technical support, including fulfilling the ODA commitments by advanced countries".[193] It is noteworthy that Seoul Development Consensus and Multi-Year Action Plan on Development did not mention ODA, while prioritizing the "focus on economic growth" as one of the major G20 development policy principles.[194] Given that emerging G20 economies are aid recipients and 'new donors' a balance between their national development and their policies of development assistance in other countries was uncertain. Discussions at the Cannes summit contributed to clarifying the balance as it was stated that while "aid commitments made by developed countries should be met … emerging countries will engage or continue to extend their level of support to other developing countries".[195]

The Seoul Summit commitment selected for monitoring reflects both the traditional part of development assistance (ODA allocation) and an important element of the economic growth component (mobilization of domestic resources in partner countries):

"We also reaffirm our respective ODA pledges and commitments to assist the poorest countries and mobilize domestic resources made following on from the Monterrey Consensus and other fora."

As the commitment directly mentions respective ODA pledges the first part of the commitment focuses on how the G20 members deliver their ODA targets, which countries explicitly committed to reach within definite terms. Only 11 G20 members have set such targets (Box 2). These are G8 member-countries and EU, which made individual commitments at the 2005 G8 Gleneagles summit and identified national targets, and two other OECD Development Assistance Committee members: Australia and Korea. European countries have also committed to a common target within the EU framework. As several countries have set deadlines beyond the monitoring period, interim national targets, OECD forecasts, ODA allocation dynamics were used to assess compliance where available.

[192] Global Plan for Recovery and Reform. http://www.g20.utoronto.ca/2009/2009communique0402.html.
[193] The Seoul Summit Document. http://www.g20.utoronto.ca/2010/g20seoul-doc.html.
[194] However, the Seoul Summit Document specifies this principle: "an enduring and meaningful reduction in poverty cannot be achieved without inclusive, sustainable and resilient growth, while the provision of ODA, as well as the mobilization of all other sources of financing, remain essential to the development of most LICs".
[195] Communiqué: G20 Leaders Summit. http://www.g20.utoronto.ca/2011/2011-cannes-communique-111104-en.html.

Box 2. G20 members ODA targets

Australia	0.5% ODA/GNI ratio by 2015/16; interim targets of 0.32% in 2008/09, 0.35% in 2009/10, 0.37% in 2010/11 and 0.38% in 2011/12[196]
Canada	Gleneagles: doubling ODA in the decade between 2001 and 2010
France	Gleneagles: 0.7% ODA/GNI ratio by 2015; 0.15-0.2% ODA/GNI ratio to LDCs by 2010 (and onwards)
Germany	Gleneagles: 0.7% of ODA/GNI ratio by 2015
Italy	Gleneagles: 0.51% of ODA/GNI ratio by 2010
Japan	Gleneagles: Increase ODA volume "by USD 10 billion in aggregate over the next five years" from 2005
Korea	0.25% of ODA/GNI ratio by 2015; interim targets of 0.13% in 2010, 0.14% in 2011[197]
Russia	Gleneagles: Cancel USD11.3 billion debts owed by African countries, including USD2.2 billion under the HIPC Initiative; maintain annual ODA at the level of USD400-500 million
United Kingdom	Gleneagles: 0.7% of ODA/GNI in 2013
United States	Double ODA to sub-Saharan Africa between 2004 and 2010 to USD8.67 billion.
European Union	European Consensus on Development (2005): 0.56% ODA/GNI by 2010; 0.7% ODA/GNI by 2015 for EU15 countries; 0.51% ODA/GNI by 2010 for members which had not reached this level by 2005.

Russia is the only G20 emerging economy, which defined ODA targets. Russia also stated that it would aim "to steadily move towards the achievement" of the UN 0.7% target once "the necessary socioeconomic conditions are created".[198] However, it is currently planned that its ODA/GNI ratio will not exceed 0.1% until 2018.[199] Officials in South Africa discuss the possibility of making a commitment to 0.2-0.5% ODA/GNI ratio.

Given that other G20 members (all of them are emerging economies) set no countable targets, their compliance with this part was assessed on the basis of ODA allocation dynamics during the monitoring period. Among these countries only Saudi Arabia and Turkey report their ODA statistics to the OECD Development Assistance Committee. National resources were used for remaining members.

The second part of the commitment includes domestic resource mobilization in line with the Monterrey Consensus[200] provisions. The relevant areas where development assistance

[196] Australia (2008) DAC Peer Review of Australia - Main Findings and Recommendations. http://www.oecd.org/dac/peerreviewsofdacmembers/australia2008dacpeerreviewofaustralia-mainfindingsandrecommendations.htm.

[197] Korea International Cooperation Agency. 20 Years of KOICA. http://www.koica.go.kr/upload/pr/annual/20anniversary_eng.pdf.

[198] The Concept of Russia's participation in international development assistance. http://www1.minfin.ru/en/financial_affairs/Dev_Assis/concept_rus/.

[199] Draft State Program. Ministry of Finance. http://www1.minfin.ru/ru/official/index.php?id4=17303.

[200] Monterrey Consensus of the International Conference on Financing for Development, United Nations (Monterrey) 18-22 March 2002. Date of Access: 6 June 2011. www.un.org/esa/ffd/monterrey/MonterreyConsensus.pdf

contributes to mobilization of domestic resource include: fostering business sector development, including micro-, small and medium-sized enterprises; fighting corruption; sound and efficient economic policy, tax systems, public spending and administration; social infrastructure, including education, health, nutrition and social security programs; human resource development.

For achieving full compliance members need to address both parts of the commitment.

Advanced countries' average compliance level surpassed the level of emerging countries by a relatively narrow margin (0.4 and 0.22 respectively). It can be partly explained by a differentiated system of assessment, where advanced countries were assessed against set ODA targets, for other countries allocation of new substantial resources over the monitoring period have been registered as compliance with the ODA part of the commitment. Only five countries with ODA targets have fulfilled (Canada, Russia, US) or are on track to fulfilling them (Germany, UK). Australia postponed planned achievement of its targets due to "a tight fiscal environment". It is expected that the EU will have to change its members' collective target. Four countries without targets (Brazil, China, India and Turkey) have made new substantial ODA allocations and initiated new major projects and programs. It should be noted that ODA targets set by Canada, Japan and US expired in 2010. As some NGOs recommend these countries "should set new, ambitious commitments for aid to sub-Saharan Africa".[201] The US officials point out that for US as a donor "such a target would detract from the more important issues of the effectiveness and quality of aid and the policies in the recipient country".[202]

All G20 members contributed to domestic resources mobilization with the exception of Argentina, Indonesia and Mexico, for which no relevant actions taken during the monitoring period has been found.

To give a few examples, Australia supported the establishment of the African Minerals Development Centre to excel officials from mining sector in developing countries and increasing transparency of major projects, while Germany elaborated a 10-point plan for North Africa thus contributing to building transparent and efficient administrative structures in the region. German-established funds helped promote transparency and foster good governance in Kenya and other countries.

Human resource development is an important part of many countries' policies. To name but a few, Australia offers Australian Leadership Awards (ALA) Scholarships for post-graduate studies for researchers from developing nations; Canada is among champions in the area contributing CAD20 million (approximately USD19.5 million) to the Association of Canadian Community Colleges (ACCC) for its Education for Employment (EFE) program in Africa (part of CIDA's Skills for Employment initiative); China opened a training course on agricultural machinery and equipment in Zimbabwe as the first step to put into action the China-aid agricultural technology demonstration center. Empowerment of women is an important part of human capital agenda, with examples that could be cited of Germany establishing a sustainable tourism project in Tunisia with the primary focus on women's rights.

Another area is support for small and medium business (China, Italy, UK). For example UK is allocating financing for almost 45 thousand people between 2012 and 2015 in Yemen to help establish SMEs (60% of targeted audience being women). Another example – USAID, US Department of State, African Development Bank with multinational corporations joint project on new partnership to enhance innovation and entrepreneurship in Africa.

[201] G8 countries show mixed results in efforts to meet aid targets May 16th, 2011. http://www.one.org/international/blog/g8-countries-show-mixed-results-in-efforts-to-meet-aid-targets/

[202] Statements for the Record by the United States of America at the United Nations Conference on Sustainable Development in Rio de Janeiro, Brazil, U.S. Department of State, 22 June 2012. Date of Access: 22 October 2012. http://www.state.gov/documents/organization/195683.pdf.

China, Germany, Italy, and Russia are very much focused on the health sector, including opening of hospitals in developing countries, sending national medical professionals, as well as training relevant specialists at home. Thus, Russia allocated resources to establishment of a special training center in Moscow to prepare specialists from developing countries to tackle problem of infant mortality.

Several countries prioritize infrastructure development for strengthening capacity of national industries (Australia, China, Japan). China has committed USD20 billion credit loans to help African countries to develop infrastructure, agriculture, manufacturing, and SMEs; French AFD runs ongoing bilateral projects in road and urban development and drinking water provision; the EU established a Water Facility mechanism for African, Caribbean and Pacific countries, Korean International Cooperation Agency announced new projects with six international organizations to implement the East Asia Climate Partnership (with a greater focus on transferring green technology and knowhow).

Financial arrangements and tax administration initiatives are led by EU, Turkey, with the latter organizing a series of study visits to Sudan with the aim of sharing experience and providing consultations on establishing treasury single account (TSA) in the country.

A number of other actions to promote inclusion and domestic mobilization aim at fighting corruption (Australia, Germany, UK), financial inclusion and microfinance (Canada, US), support to new agricultural products (US, EU), sustainable production methods in agriculture producing countries (Germany). Brazil, Korea, and China took a number of initiatives in ICT (Brazilian-Cuban cooperation agreement to implement computerized system for lawsuits).

Emerging economies, especially Argentina and Brazil promoted relevant actions through South-South cooperation (Argentina signing bilateral agreements in the area of joint projects or exchange of best practices in agriculture and clean technologies; Brazil signing MoU with UN-Habitat to be applied in Bolivia, Paraguay, Argentina, Colombia and Venezuela aimed at technical cooperation).

The G20 members' implementation of the commitment on ODA was mixed, as several advanced countries contributed new substantial funding but have not achieved their national ODA targets, or like the US found it counter-productive to set specific targets as opposed to focusing on effectiveness and quality of aid and policies in the recipient country. Almost all members contributed to mobilizing domestic resources in developing countries.

The average level of compliance of all the G20 proved rather modest (0.35), while three countries (Argentina, Indonesia and Mexico) failed to comply. Interestingly among emerging countries, BRIC countries and Turkey have shown full compliance. The US, UK, Canada and strongest EU member – Germany have fully delivered on the commitment.

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, this will provide an important signal to rest of the development community of the G20 commitment to MDGs.

7.9. Multilateral Development Banks Resources Replenishment

The international economic crisis affected growth and access to capital in many countries, especially developing. Multilateral Development Banks (MDBs) play important roles in overcoming the crisis as they provide both necessary financial resources and essential expertise.
At their first summit in Washington, the leaders stated: "We should review the adequacy of the resources of the IMF, the World Bank Group and other multilateral development banks and stand

ready to increase them where necessary."[203] At the London Summit the G20 leaders agreed to triple the IMF's funding capacity to USD750 billion as a part of a larger USD1.1 trillion package to increase funding and enhance the development process.[204] In the London communiqué they stated "we support a substantial increase in lending of at least USD100 billion by the MDBs, including to low income countries, and ensure that all MDBs have the appropriate capital."[205]

During the Pittsburgh Summit, the leaders focused their attention on increasing resources of the MDBs, which were "on track to deliver the promised USD100 billion in additional lending", encouraging them to "continue making full use of their balance sheets" and "the temporary use of callable capital contributions from a select group of donors".[206]

At the Toronto summit the G20 stated it had fulfilled the commitment on MDBs resources replenishment having ensured together with other countries a 85% capital increase in the major MDBs, which are the Asian Development Bank (AsDB), the African Development Bank (AfDB), the Inter-American Development Bank (IADB), the European Bank for Reconstruction and Development (EBRD), the World Bank Group, notably the International Bank for Reconstruction and Development (IBRD) and the International Finance Corporation (IFC). They also reiterated the commitment "to ensure an ambitious replenishment for the concessional lending facilities of the MDBs, especially the International Development Association (IDA) and the African Development Fund".[207]

In Seoul the leaders reiterated the commitment to completing an ambitious replenishment for the concessional lending facilities of the MDBs, especially the International Development Association, to help ensure that LICs have access to sufficient concessional resources.

As the need for IDA replenishment was particularly mentioned in the commitment, it is regarded as a separate part of the commitment, with RDBs replenishment constituting the other part. All G20 countries are members of the IDA but several countries are members of only one RDB. Timetables of actual disbursements made by countries are not published in most cases and replenishment periods exceed the monitoring period of this report. Moreover, countries national timetables for disbursements are allowed to exceed replenishment periods. For example, Russia will be making its contributions for the sixteenth IDA replenishment (IDA16), "which covers the period from July 2011 to June 2014",[208] until 2019.[209] Thus, for the purposes of this analysis, commitments not disbursements are registered as facts of compliance. Although pledges for the AfDB were made in September 2010 before the Seoul Summit,[210] they are included in the analysis.

Given the aforementioned arguments to achieve full compliance the member country must commit to the replenishment of at least one RDB and the IDA.

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

---

203 G20 Information Centre "Washington Communique" http://www.g20.utoronto.ca/2008/2008declaration1115.html

204 G20 Information Centre, "London Communique" http://www.g20.utoronto.ca/2009/2009communique0402.html

205 G20 Information Centre, "London Communique" http://www.g20.utoronto.ca/2009/2009communique0402.html

206 G20 Leaders Statement: The Pittsburgh Summit. http://www.g20.utoronto.ca/2009/2009communique0925.html

207 The G20 Toronto Summit Declaration. http://www.g20.utoronto.ca/2010/to-communique.html.

208 World Bank's Fund for The Poorest Receives Almost $50 Billion in Record Funding. December 15, 2010. http://go.worldbank.org/F5A0QOJ8K0.

209 Executive Order No. 2406-p of 27 December 2010. Government of Russia. http://government.ru/gov/results/13739/.

210 "ADF-12 Replenishment, Final Consultation" (September 2010) Date of Access: 29 May 2012. http://www.afdb.org/fileadmin/uploads/afdb/Documents/Boards-Documents/BoG_Report%20on%20the%20Twelfth%20General%20Replenishment%20of%20the%20Resources%20of%20the%20African%20Development%20Fund.pdf

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.

Thus, the G20 compliance performance on replenishment of the IDA and MDBs funds has been generally high, and most G20 members have both made pledges to the IDA and one or more RDBs.

7.10. Energy Efficiency

The report analyses the G20 members' performance on the commitments to promote energy efficiency and clean energy technologies in their countries and beyond.

G20 leaders made their first commitment to develop energy efficiency and clean energy technologies at the Pittsburgh summit in 2009, where they agreed to stimulate investment in clean energy, renewables, and energy efficiency and provide financial and technical support for such projects in developing countries, as well as to take steps to facilitate diffusion or transfer of clean energy technologies including by conducting joint research and building capacity.[211] At the Seoul summit in 2010 the G20 leaders agreed to take steps to create enabling environments conductive to the development and deployment of energy efficiency and clean energy technologies in G20 countries and beyond.[212] At the Cannes summit in 2011 the leaders reaffirmed their commitment to support the development of clean energy and energy efficient technologies.[213]

This is a two-part commitment. To achieve full compliance members needed to take appropriate actions both in the country and abroad. The analysis revealed a high level of performance, with 17 out of 20 members receiving the maximum compliance score of +1 for taking steps to promote energy efficiency and clean energy technologies both domestically and in other countries. The average score of the institution is 0.85.

The developed countries' performance has been relatively uniform in both parts of the commitment. Australia, Canada, France, Germany, Italy, Japan, Korea, the United Kingdom, the United States and European Union have undertaken actions to promote energy efficiency and clean energy technologies both domestically and abroad. The domestic measures included: establishment of transparent regulatory frameworks; provision of economic and fiscal incentives; provision of direct government funding; development of public-private partnerships; creation and development of market mechanisms, such as emissions-trading; establishment of performance-based regulation; promotion and development of technology roadmaps, such as those being prepared by the IEA, to further the development of innovative technologies.
The G20 members mainly supported the promotion of energy efficiency and clean energy technologies in other countries through co-financing national projects, contributing to international organizations, and participating in or launching initiatives aimed at promoting energy efficiency internationally.

[211] The Leaders Statement: The Pittsburgh Summit, September // G20 Information Centre. 25.09.2009. URL: http://www.g8.utoronto.ca/g20/2009/2009communique0925.html (date of access 18.10.2010).
[212] The Seoul Summit Document, 12 November 2012. http://www.g8.utoronto.ca/g20/2010/g20seoul-doc.html
[213] Cannes Summit Final Declaration, 4 November 2011. http://www.g20.utoronto.ca/2011/2011-cannes-declaration-111104-en.html

The developing countries which managed to fulfill both parts of the commitment include: Argentina, Brazil, China, India, Mexico, Russia and South Africa. However fewer facts of these countries' involvement in promotion of energy efficiency in other countries have been registered compared to the developed ones. The analysis suggests that the developing members of the G20 have had the most difficulties in supporting the promotion of energy efficient technologies in other countries. Their efforts were predominantly concentrated in neighboring countries and the number of actions taken was limited compared to that of the developed members.

Three members (Indonesia, Saudi Arabia and Turkey) have achieved partial compliance with the commitment focusing on domestic measures to promote energy efficiency and clean energy technologies.

At the national level almost all G20 members established the targets for energy generation and consumption from the renewable sources. Other examples of typical domestic actions include adopting laws and regulations aimed at increasing renewable energy (Japan, Mexico, Turkey); establishing energy efficiency standards (Argentina, Australia, the EU, France, Japan, Russia); supporting programmes to support innovations in the sphere of renewable energy (Argentina, Australia, UK, US). Several countries have established special funds and/or earmarked funding in the state budget to support development and deployment of clean energy technologies (Canada, India, Korea, Turkey, UK). Tax cuts and subsidies to encourage production and purchase of energy saving products, as well as save energy by the households and companies have been introduced by China, Germany, Indonesia, Italy, the UK, and the US. Programmes of assistance to local authorities in improving energy efficiency have been adopted in the UK, Russia, and the US. A number of countries have been emphasizing research and commercialization (the US, the UK, Saudi Arabia). Some countries put emphasis on solar energy (South Africa, Saudi Arabia). Saudi Arabian authorities announced plans that the city of Mecca would become 100 percent powered by renewable and low carbon energy. Others prioritize wind farms (Korea).

Internationally, special funding facilities to support local projects in developing countries that boost local financial capacity to invest in green projects and increase access to cleaner energy services have been adopted/established by Germany, Italy, and Japan. Two measures stimulating private investment into clean energy projects abroad can be sited as examples. On 1 April 2011, the Japan Bank for International Cooperation (JBIC) launched the Enhanced Facility for Global Cooperation in Low Carbon Infrastructure and Equity Investment. The objective of the Facility was to support foreign investments of Japanese private companies into clean energy projects abroad.[214] The UK through the UK's Climate Public Private Partnership fund offered GBP100 million of capital to attract private finance to invest in commercial solar, wind and hydroelectric power plants, generating more than 7,000 MW of clean energy in developing countries.

The G20 average performance on the commitment has been high, which proves that there is a high level of 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.

[214] Launching JBIC Enhanced Facility for Global Cooperation in Low Carbon Infrastructure and Equity Investment (E-FACE) Mobilizing Private Funding for Supporting the New Growth Strategy, the Japan Bank for International Cooperation 1 April 2011. Date of access: 1 October 2011. www.jbic.go.jp/en/about/press/2011/0401-02/index.html

Table 7.4. G20 Members Performance on Development Commitments

	Infrastructure	Access and Availability to Trade	Private Investment and Job Creation	Food Security	Growth with Resilience	Financial Inclusion	Domestic Resource Mobilization	ODA	MDBs Resources Replenishment	Energy Efficiency	Average
Argentina	0	-1	1	0.5	-1	–	1	-1	1	1	0.17
Australia	1	1	1	1	1	–	1	0	1	1	0.89
Brazil	0	0	1	0.7	1	–	1	1	1	1	0.74
Canada	1	1	1	1	1	–	1	1	1	1	1
China	1	0	1	0.1	0	–	0	1	1	1	0.57
France	1	1	1	1	0	–	1	0	1	1	0.78
Germany	1	1	1	1	1	–	1	1	1	1	1
India	1	0	0	0.6	0	–	1	1	0	1	0.51
Indonesia	0	-1	1	0.4	1	–	-1	-1	-1	0	-0.18
Italy	1	-1	0	0.4	1	–	1	0	1	1	0.49
Japan	1	-1	1	0.9	0	–	0	0	1	1	0.43
Korea	1	0	0	0.8	1	–	0	0	1	1	0.53
Mexico	1	1	1	0.5	-1	–	1	-1	1	1	0.50
Russia	1	0	0	0.6	1	–	1	1	0	1	0.62
Saudi Arabia	1	-1	1	0.6	1	–	0	+1	1	0	0.51
South Africa	1	1	1	0.7	-1	–	1	0	1	1	0.63
Turkey	1	-1	1	0.3	0	–	1	1	1	0	0.48
UK	1	0	1	0.6	1	–	1	1	1	1	0.84
US	1	1	1	0.8	1	–	1	1	1	1	0.98
EU	1	1	1	0.8	1	–	1	0	–	1	0.85
G20 average	0.85	0.10	0.80	0.67	0.45	–	0.70	0.35	0.79	0.85	0.62

Source: IORI HSE and G20 Research Group Tracking Progress on the G20 Development Commitments Report.

Table 7.5. G20 Institutional Performance on Development Commitments

	Infrastructure	Access and Availability to Trade	Private Investment and Job Creation	Food Security	Growth with Resilience	Financial Inclusion	Enhancing Sustainability of Public Revenue	ODA	MDBs Resources Replenishment	Energy Efficiency	Average
G20 collective	1	–	1	0.90 *	–	1	–	–	–	–	0.98

– Not applicable.
* Assessed as an average compliance score for collective commitments and mandates on food security.
Source: IORI HSE and G20 Research Group Tracking Progress on the G20 Development Commitments Report.