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# MAPPING G20 DECISIONS IMPLEMENTATION

## How G20 is delivering on the decisions made

report prepared with support of



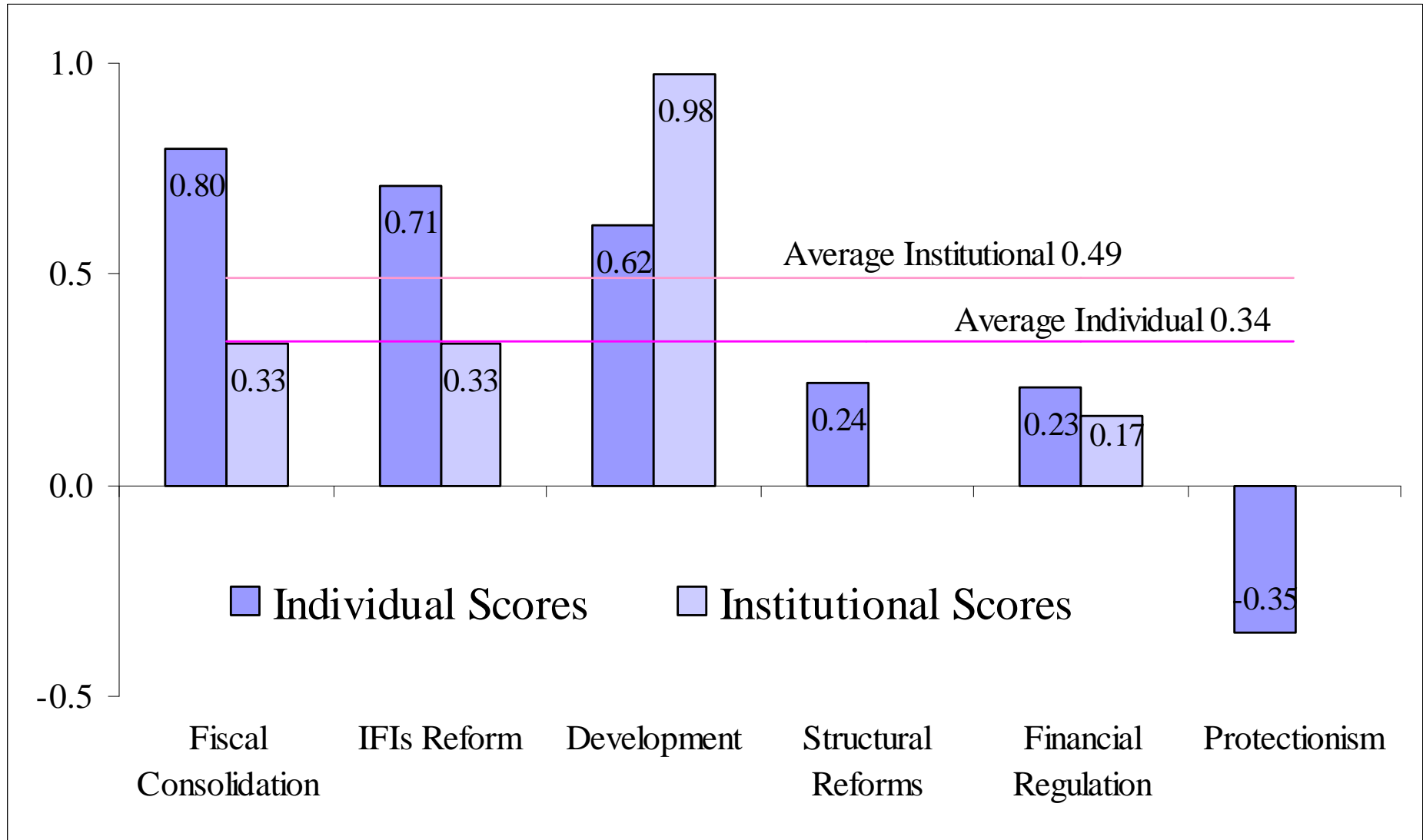
**Goal:** to analyze G20 members' commitments implementation

**Scope:** 7 key areas of G20 cooperation: Fiscal Consolidation, Structural Reforms, IFIs Reform, Financial Regulation, Protectionism, Fossil Fuel Subsidies, Development (key pillars of Seoul Consensus)

### **Methodology**

- individual and institutional commitments
- impact or effectiveness of G20 actions not estimated
- scoring system: +1 full compliance; 0 partial compliance/work in progress and -1 non-compliance
- monitoring period from adoption of a decision to end October 2012

# G20 Decisions Implementation: Individual & Institutional Scores



# Fiscal Consolidation

**Commitments:** advanced economies to halve deficits by 2013 and stabilize/reduce debt by 2016 (2010 Toronto)

## **Compliance:**

the majority of advanced countries and EU fully complied (0.8); 4 emerging countries (Brazil, China, Mexico, Saudi Arabia) fully complied (0.4). All members' average score 0.6.

## **Recommendations:**

1. consolidation strategies and timetables to achieve them should underscore growth and equity objectives
2. augment the debt to GDP downward vector with an estimation of sustainable threshold levels
3. identify country-specific debt level targets beyond 2016
4. shift focus to long-term adjustment measures not to cause economic contraction

# Structural Reforms

2009 Pittsburgh - onwards

## **Commitments:**

Advanced economies: labor market reforms, market liberalization, financial regulation.

Developing economies: market liberalization, financial regulation, investment in infrastructure, tax reforms.

Countries with current account surplus: strengthening social protection, stimulating competitiveness, equal development opportunities for all industries.

Countries with current account deficit: Increasing employment and productivity, reforming the public sector, maintaining fiscal balance.

## **Compliance in 5 broad areas** according to OECD :

Financial regulation (**0.60**); investment in infrastructure (**0.40**); strengthening labor markets and HR development (**0.31**); tax reforms (**0.27**); market liberalization (**0.03**).

Top-performers: Russia (**0.6**); UK & Germany (**0.5**); Korea (**0.43**). Average: **0.24**.

## **Recommendations:**

1. Diversity of structural reforms priorities defined by the countries' individual circumstances precludes a one-fits-all list of commitments for all G20 members.
2. Reinforce direction setting efforts providing scope for individual but coordinated commitments, with a focus on market liberalization and strengthening labor markets.
3. Incorporate education and HR development into G20 structural reform agenda, given their role for boosting jobs and growth in the long run.

# International Financial Institutions Reform

**Commitments:** IFIs Governance, Surveillance, IFIs Resources Replenishment, Financial Safety Nets (2009 London onwards)

**Compliance:** Individual 0.70 / Institutional 0.33

**IFIs Governance:** 3 countries not accepted 2010 IMF reforms / no new quota formula by January 2013

**Surveillance:** FSB reformed, Mutual Assessment Process with agreed Indicative Guidelines for Assessing persistently Large Imbalances launched,

14 countries participated in modernized Article IV / FSAP consultations

**IFIs Resources Replenishment:** New Arrangements to Borrow, 2012 IMF Resources increase and MDBs replenishment

**Financial Safety Nets:** new instruments (Flexible and Precautionary Credit Lines) created but slow changes in lending conditions

## **Recommendations:**

1. complete 2010 IMF reforms (continue reforming constituencies)
2. facilitate review of the new quota formula to enable completion by January 2014
3. complete FSB institutionalization in 2013
4. strengthen MAP indicators by those relevant to labor and income equality
5. continue review of lending conditions

# Financial Regulation: Commitments

2008 Washington – onwards

## ***Banking sector:***

**Banking capital and liquidity standards.** Adopt a set of requirements for banks' capital and liquidity as a key risk-management instrument.

G20 average: **0.45**. Full compliance with Basel II – 15 members, Basel 2,5 – 13, and Basel III – 5 members) Top performers: Australia, India & Japan.

**Stress tests.** Mandate to the Basel Committee on Banking Supervision (BCBS) to develop new stress testing models.

G20 institutional compliance: **0**.

**Compensation practices.** Prevent the use of remuneration schemes that contribute to taking additional risks or encourage excess short-term profits.

G20 average: **0.42**. **Full compliance:** Australia, Canada, France, Germany, Japan, India, Italy, Korea, Mexico, Saudi Arabia, UK

**Global set of accounting standards.** Adopt a single set of high quality accounting standards.

Lack of implementation at the national level.

G20 institutional compliance: **0**.

# Financial Regulation: Recommendations

## Banking sector:

1. Make additional efforts to enforce the Basel reforms effective implementation (key partners: BCBS & FSB).
2. Promote implementation of an integrated stress testing mechanism by giving an impulse to further work of relevant international institutions and committing to enforce implementation of this mechanism at the national level (BCBS).  
Integrate tests carried out by banks and by national regulators into one risk-management framework.
3. Foster implementation of the agreed standards on compensations practices at the national level and involve non-G20 countries in the process (FSB & BCBS).
4. Promote adoption of the single global set of accounting standards by providing an additional impulse to the work of relevant SSBs and regulators and encouraging surveillance over their decisions' implementation (BCBS, International Accounting Standards Board (IASB), Financial Accounting Standards Board (FASB)).  
Revisit the G20 pledge to improve the International Accounting Standards Board governance mechanisms



# Financial Regulation: Commitments

2008 Washington – onwards

## ***Non-banking sector:***

**Over-the-counter (OTC) derivative market.** All standardized OTC derivative contracts should be traded on exchanges or electronic trading platforms, cleared through central counterparties, and reported to trade repositories.

G20 average: **0.03**. Top performers: India, Indonesia, Japan, US.

**Hedge funds.** Use a set of unified best practices to elaborate new regulatory approach to hedge funds.

No commitments on the IOSCO proposals to implement or monitor progress on new global standards progress.

G20 institutional compliance: **0**.

**CRAs.** Provide strong oversight over credit rating agencies and address the problem of national authorities' and financial institutions' mechanistic reliance on external credit ratings.

IOSCO Code of Conduct Fundamentals. FSB monitoring progress in changing the practice of reliance on credit ratings.

G20 institutional compliance: **0**.

**Systemically important financial institutions (SIFIs).** Prevent potential SIFIs failures and minimize costs of their resolution .

Global SIFIs identified, mechanisms to prevent failure and minimize cost of resolution proposed (RRPs); expansion of regulation to cover different financial institutions supported.

G20 institutional compliance: **1**.

# Financial Regulation: Recommendations

## Non-banking sector:

1. Make additional efforts to enforce effective implementation of the agreed reforms for OTC derivatives (FSB).
2. Follow up on the implementation of the new standards for hedge funds in coordination with relevant international institutions (International Organization of Securities Commissions (IOSCO)).
3. Prioritize the issue of ending mechanistic reliance on external credit ratings as a priority until tangible results are achieved (FSB & IOSCO).

Consider support to establishing an international non profit credit agency, challenging the CRAs privileged status.

4. Expand existing measures for SIFIs to include global systemically important non-banking institutions, adapt them to domestic systemically important financial institutions and enforce the agreed rules (FSB, BCBS, IOSCO).

# Refraining from Protectionist Measures

**Commitment:** refrain from protectionist measures in international trade (2008 Washington).

**Compliance: (-0.35).**

**715** protectionist measures adopted by the G20 members from November 2008 to October 2012 (WTO data).

44.69 measures on average for each country.

Japan and Saudi Arabia only 2 measures each, the lowest among G20.

516 measures - manufactured goods

132 measures - food and agriculture

45 measures - fuel and minerals

11 measures - services.

a 14% fall in the number of G20 protectionist measures (179 against 208) in November 2011 to October 2012, compared to 9% slowdown in the world for the same periods (308 measures against 339).

**Recommendation:**

Consolidate efforts to sustain the trend

Supplement the existing monitoring exercise with a diagnostic work aimed to identify the causes of protectionism in each specific case and the alternatives available for invigorating trade.

# Phasing-Out Inefficient Fossil Fuel Subsidies

**Commitment:** to phase-out or rationalize over the medium term inefficient fossil fuel subsidies (2009 Pittsburgh).

**Compliance:** 10 countries reported no inefficient fossil fuel subsidies in 2012 compared to 7 in 2010;

According to IEA “World Energy Outlook 2011” some G20 members “retain subsidies that appear to be inefficient”.

OECD Inventory of estimated budgetary support and tax expenditures for fossil fuel subsidies data indicate a rise in the cost of consumer and producer support mechanisms in a number of countries.

## **Factors which hinder fulfillment of commitment:**

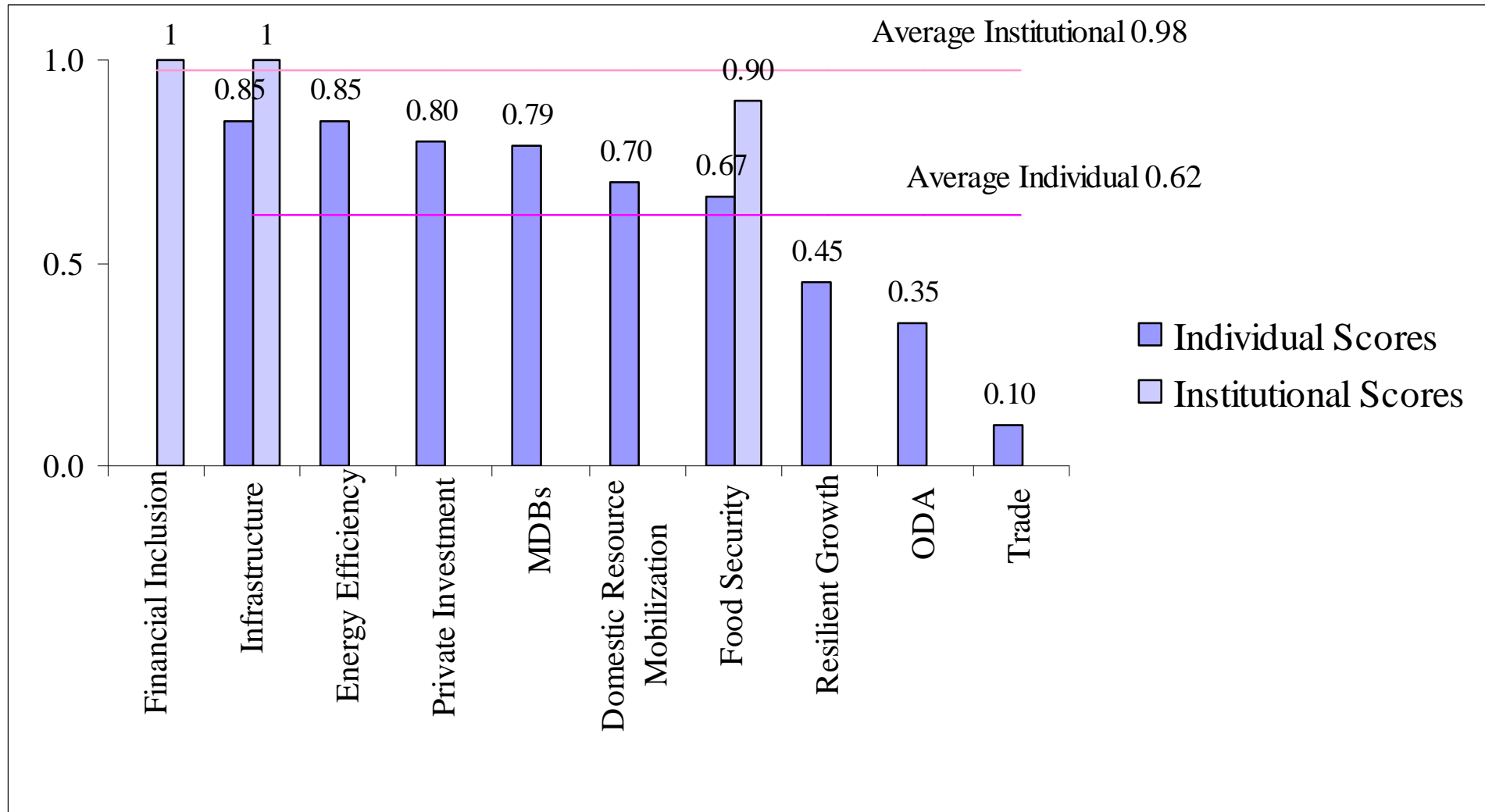
- Absence of an agreed definition of fossil fuel subsidy;
- different approaches to subsidy efficiency assessment;

## **Recommendation:**

Forge a common definition and criteria for efficiency assessment before launching the next progress report and a peer-review process to be developed and presented to the leaders in 2013

Invite expert institutions and relevant international organizations to work out a common definition of fossil fuel subsidies and criteria for subsidy efficiency assessment.

# Development: Individual & Institutional Scores



# Infrastructure

## **Commitments:**

Individual: Invest in infrastructure and facilitate the mobilization of infrastructure financing.

Institutional: Establish a High-Level Panel (HLP) to recommend measures to mobilize infrastructure financing and review MDBs' policy frameworks.

## **Compliance:**

Individual: 17 members fully complied (**0.85**).

Best practices: large scale housing building programmes; comprehensive plans for national infrastructure development; regional integration projects.

Institutional: HLP established; outcomes of its work endorsed; commitment to implement infrastructure projects meeting its criteria made by G20

## **Recommendations:**

1. Take actions to stimulate long-term infrastructure investment planning
2. Expand G20 members' participation in implementing infrastructural projects abroad.

# Access and Availability to Trade

**Commitment:** to improve access and availability to trade with advanced economies and between developing and low-income countries (LICs).

For full compliance countries were required to remove trade barriers, liberalizing trade with developing countries and LICs, and to take actions to improve developing and LICs' capacities to trade among themselves.

**Compliance:** 0.1

8 members achieved full compliance (Australia, Canada, France, Germany, Mexico, South Africa, US, EU).

**Best practices:** African Free Trade initiative (AFTi) to boost African trade (UK);

USD2.07 million contribution to the WTO Enhanced Integration Framework, assisting 47 LIC (Australia);

“Canadian Market Access and Trade Capacity Building” project, enhancing developing countries' capacities in international trade (Canada).

**Recommendations:**

1) Consolidate efforts on the commitment to improve the access and availability to trade with advanced economies and between developing and LICs;

2) 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.

# Private Investment and Job Creation

## **Commitments:**

Individual: Identify and promote responsible private investment in value chains.

Mandates: Develop key indicators for measuring and maximizing the economic and employment impact of private sector investment; provide recommendations on assisting developing countries in attracting responsible investment & supporting the regulatory framework for investment.

## **Compliance:**

Individual: 16 members has fully complied (average: **0.85**).

Best practices: adopting national codes of responsible investment; enhancing responsible private investment in developing countries through sectoral programs.

Mandates: fulfilled by UNCTAD, UNDP, ILO, OECD, the WB; recommendations endorsed by G20; low and middle income countries invited to act on the recommendations (score: **1**).

## **Recommendation:**

Further action to promote responsible private investment practices domestically and in partner countries.



# Food Security

2011 Action Plan on Food Price Volatility and Agriculture objectives:

- **Improve agricultural production and productivity** (boost agricultural growth; promote sustainable agricultural practices; launch International Research Initiative for Wheat Improvement (IRIWI));
- **Increase market information and transparency** (national information systems, participation in Agricultural Market Information System (AMIS); launch AMIS; launch Global Agricultural Geo-Monitoring Initiative);
- **Strengthen international policy coordination** (remove export restrictions on humanitarian food; establish Rapid Response Forum);
- **Improve and develop risk management tools** (maximize efficient delivery of food assistance; develop a targeted emergency humanitarian food reserves system);
- **Improve the functioning of agricultural commodities' derivatives markets** (implement IOSCO principles; improve market information and transparency).

# Food Security: three components

- **Individual commitments (6 commitments);**

High level of compliance (0.67). Australia, Canada, France and Germany fully complied.

Members were most successful in removing export restrictions for food purchased by the WFP(0.95).

Maximizing food delivery efficiency and strengthening supply chains proved a challenge (-0.05)

- **Collective commitments (6 commitments);**

Full compliance (1).

- **Mandates (5 mandates).**

High level of compliance (0.8). G20 made further decisions on 4 out of 5 mandates to international organizations, selected for assessment.

# Food Security: Mandates

- **Examine and recommend potential innovative results-based mechanisms** (FAO and the World Bank) (1);
- **Monitor progress on food security commitments and report back** (FAO, World Bank, OECD and L'Aquila Food Security Initiative (AFSI)) (0);
- **Identify bottlenecks and opportunities to increase policy coherence for food security** (Committee on World Food Security) (1);
- **Mitigate and manage the risks associated with the price volatility** (FAO, IFAD, IMF, OECD, UNCTAD, WFP, the World Bank and WTO) (1);
- **Develop options for promoting responsible investment in agriculture** (UNCTAD, the World Bank, IFAD and FAO) (1).

# Food Security: Recommendations

- Consolidate efforts on strengthening capacity to provide effective and targeted international assistance to the countries in need of humanitarian food aid.
- Sustain progress on improving the functioning of agricultural commodities' derivatives markets.
- Complete the launch and ensure effective functioning of Global Agricultural Geo-Monitoring Initiative and PREPARE system.
- Continue to engage constructively with the international organizations on monitoring the progress to harness the full potential of G20 and relevant IOs.

# Growth with Resilience

**Commitments:** supporting social protection programs in developing countries and reducing remittances transfer cost to an average of 5% by 2014

**Compliance:** 0.45

17 members supported social protection systems in other countries

remittance sending countries: Russia & Saudi Arabia surpassed 5% target; 14 countries decreased transfer costs; only 2 receiving countries acted in line with the World Bank principles on remittances;

**Recommendations:**

1. elaborate an action plan to support social protection programs development in partner countries
2. further develop recommendations on reducing remittances transfer cost on the basis of successful national experience

# Financial Inclusion

## **Institutional commitments:**

1. Launch the Global Partnership for Financial Inclusion (GPFI) to implement the G20 Financial Inclusion Action Plan.
2. Foster the development of SME finance.

## **Compliance: +1**

1. GPFI launched; implementation of its recommendations promoted; global standard-setting bodies engaged; commitments on consumer protection and financial literacy made.
2. SME Finance Forum launched; SME Finance Challenge and SME Finance Compact initiatives implemented; successful SME financing models & knowledge sharing on best practices for SME finance promoted.

## **Recommendations:**

1. Making commitments on incorporating successful SME financing models into national practices.
2. Making commitments by members on policy measures stimulating financial inclusion, raising standards of consumer protection and levels of financial literacy.

# Domestic Resources Mobilization

## **Commitment:**

Build sustainable revenue bases by improving developing country tax administration systems and policies and highlighting the relationship between non-cooperative jurisdictions and development.

## **Compliance:**

15 members has fully complied (average: **0.70**).

Best practices: projects aimed to help developing countries build capacity and legal infrastructure necessary for tax transparency and co-operation; conferences & study visits for developing countries' tax administration representatives, special programs (DF4D), activities within FATF, Global Forum on Transparency and Exchange of Information for Tax Purposes

## **Recommendations:**

1. Further action to strengthen tax systems and capacity for tax collection in the developing countries with the aim to build sustainable revenue base.
2. Further efforts on improving the quality and quantity of tax information exchange.

# ODA and Capacity Building

**Commitments:** implementing respective ODA pledges and assisting poorest countries in mobilizing domestic resources according to Monterrey Consensus

**Compliance:** 0.35

11 G20 members (advanced & Russia) set ODA targets. 5 of them fulfilled (Canada, Russia, US) or are on track to fulfilling them (Germany, UK); 4 emerging countries (Brazil, China, India & Turkey) made new substantial ODA allocations and initiated new major projects;

The majority of G20 members contributed to domestic resources mobilization (transparency in mining sector, good governance, human resources, SME finance, South-South cooperation)

**Recommendations:**

focus on mobilization of domestic resources in partner countries as a vital element of its core economic growth agenda  
consider setting up flexible development assistance targets as an important signal of G20 commitment to MDGs.



# Multilateral Development Banks Resources Replenishment

**Commitments:** replenishment of International Development Association and Regional Development Banks (Asian, African, Inter-American Development Banks and European Bank for Reconstruction and Development)

**Compliance:** 0.79

16 countries participated in replenishment of IDA and at least one RDB

**Recommendations:**

enhance participation of G20 emerging countries in RDBs

# Energy Efficiency

**Commitment:** to promote energy efficiency and clean energy technologies in the G20 countries and beyond

**Compliance:** 17 members fully complied (average score 0.85).

At the national level:

Almost all G20 members established the targets for energy generation and consumption from the renewable sources.

Other examples:

adopting laws and regulations aimed at increasing renewable energy; establishing energy efficiency standards; supporting programmes to promote innovations in the sphere of renewable energy.

Internationally:

Introduction of 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 (predominantly by developed G20 members).

**Recommendation:**

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