The G20 and Growth and Development

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From crisis management to promotion of growth and development

• Much of G20’s attention to date has been focused on crisis management and recovery

• But economic stabilization alone will not restore strong and sustained growth—as global growth faces deeper structural challenges

• Going forward, more attention needs to be devoted to structural reforms and supportive investments that address fundamental weaknesses, facilitate necessary structural change, boost productivity, and open new sources of growth

• Successfully addressing this agenda will be an important test of G20’s ability to act as a premier global economic forum not just for crisis response but for the promotion of longer-term growth and development
Recovery in advanced economies is weak—even by the standards of past crises

Source: OECD, Haver Analytics, Rogoff and Reinhart (2008), and staff calculations.

** Recessions (i.e., two straight quarters of contraction) in G20 advanced economies since 1960.  
*** Range limits are average of best/worst three AE recessions 1960-2006.
Growth is slowing also in emerging economies that have been the driver of global growth.
The jobs challenge: persistently high unemployment reflects both weak growth and structural factors

Unemployment Rates

Source: OECD
Inequality has been rising in many countries

Changes in income inequality in the G20

Source: World Bank *All the Ginis* dataset

Note: Data on Saudi Arabia are not available.
Centrality of structural reforms to the growth agenda

- Restoring robust growth will require going beyond current focus on short-term macroeconomic and demand management and implementing reforms that remove structural impediments to stronger and sustainable growth.
- Essential to stronger growth, structural reforms are also key to addressing the jobs challenge, promoting a balanced pattern of growth, reducing inequality, and supporting environmental sustainability.
- The reform agenda spans product market regulation and competition, labor market regulation, financial sector reform, tax and expenditure reform, and investment in infrastructure and human capital.
- Priorities vary across countries, but structural reforms are central to the growth agenda in advanced and emerging economies alike.
- The G20 has stepped up its work on structural reforms under its Framework for Strong, Sustainable and Balanced Growth but more needs to be done.
G20 structural reform commitments: more progress in financial sector reform, less in other areas

St. Petersburg Commitments

- Product market regulation: 34%
- Labor market regulation: 21%
- Taxation: 10%
- Human capital: 7%
- Financial regulation: 4%
- Other areas: 24%

Los Cabos Commitments

- Product market regulation: 10%
- Labor market regulation: 9%
- Taxation: 8%
- Human capital: 4%
- Financial regulation: 26%
- Other areas: 43%

Source: OECD/World Bank
Need for more vigor in implementation of structural reform commitments

Implementation status of Los Cabos structural reform commitments

- Product market regulation
- Labour market regulations
- Taxation
- Human capital
- Financial regulation
- Other

Source: OECD/World Bank
G20 could provide more leadership on trade reform

Trade distorting measures implemented worldwide and by G20 since the onset of the global financial crisis

Number of measures

Source: Global Trade Alert database

*Up to May 2013
Key role of investment, especially in infrastructure, in enhancing potential growth
Welcome G20 initiative on long-term investment financing

Net private capital flows to emerging and developing economies
Recovering, but well below pre-crisis levels relative to GDP

Source: World Bank
Build on other G20 initiatives on growth and development

• Infrastructure Action Plan (infrastructure investment climate, project preparation, finance, public-private partnerships, MDB role)
• Tax reform and domestic resource mobilization
  – Action Plan on base erosion and profit sharing; tax transparency
• Global Partnership for Financial Inclusion
• Agriculture and food security
• Promoting energy sustainability, combating climate change
  – Energy efficiency: phase-out inefficient fossil fuel subsidies
  – Inclusive green growth
  – Climate finance
Concluding Remarks

• As a “premier forum for international economic cooperation”, the G20 can do more to promote and coordinate policies for global growth and development

• The increased attention to growth-enhancing structural reforms and investment under the Russian presidency is a welcome refocusing of the G20 agenda

• The proposed call in the St. Petersburg Leaders’ Declaration for G20 members to submit, peer review, and coordinate growth strategies will reinforce this shift of emphasis

• There is a need to better focus the various separate initiatives on development, integrate them into a coherent narrative and effort, and improve coordination across the G20 work streams

• Stronger engagement with non-G20 countries and other stakeholders will help enhance both the effectiveness and legitimacy of G20 efforts