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Time for Sensible Mix of ‘Orthodoxy’ with ‘Out-of-Box’ Thinking

The world has seen tectonic shifts in ideas, paradigms, powers and prejudices that have governed it for centuries. Human knowledge tempered with technological revolutions has delivered wonders from time to time as manifested in the new era of technological breakthroughs with robots behaving as human substitutes and digital technologies like Big Data, Artificial Intelligence, machine learning, etc. displaying extraordinary computing abilities with amazing speed and accuracy. Coming to specifics, these radical changes are transforming the ways countries and economies wish to engage with each other in the field of trade, finance, climate change, infrastructure, energy and several other interdisciplinary areas.

G20, being an important country grouping, seems to have succeeded in absorbing some of these new ideas e.g. digital economy. But, the question arises whether the new opportunities replace the apparently extant, unfair and inequitable ones, and embrace the new reality with pragmatic and fair rules and standards. For instance, the global trading norms evolved during the Uruguay Round in the 1980s and 1990s might fall short of frameworks explaining the rise in online trading and payment settlements happening in a seamless fashion. Provision of finance and global financial architecture in general has moved on with the demands of the time recognising the winds of the fast-changing economic landscape. Reforms of international financial institutions were often demanded but not found feasible as it appeared to be. Infrastructure sectors which were traditionally viewed as public monopolies are increasingly being viewed as valuable assets for private investments and crucial enablers of economic growth and transition.

Within the prism of the broad philosophical contours mentioned above, this issue of G20 Digest digs more into the routine issues that G20 has been dealing with for long but with a changed context. Trade as such is not a new issue for G20 but trade disciplines, both adequacy of older ones and the need for the new ones, still continues to be evolving. The paper on ITA and domestic performance of computer and IT industry demystifies certain off the cuff and apparently commonsensical observations. The paper argues based on evidence that developing countries have not benefited from the plurilateral ITA agreements in WTO. Likewise, global financial system anchored by IMF and other Bretton Woods institutions have been undergoing reforms for years but how far the claimed reforms in the area of voting rights, reserve currency, debt management frameworks, etc meet the genuine needs of the countries and the people still remains opaque. The paper on G20 and global financial architecture discusses these intricacies at a greater length. Lastly, the paper on infrastructure governance highlights that infrastructure in its new avatar as quality and resilient infrastructure embeds the role of private sector, principles of inclusion and sustainability as also modern governance & accountability frameworks which would probably drive future trade and finance in the G20 countries in the coming years.

Enjoy reading it.

Priyadarshi Dash

Performance of Computer, Electronics and Optical Products in Post-ITA Phase: Some Insights from the OECD TiVA Database

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Abstract: On account of two agreements at the WTO, Information Technology Agreement -1 and 2, much of the trade in information technology products is undertaken duty-free. Few studies have examined the economic performance of the domestic IT producers of goods after these countries implemented the obligations under the agreement. Using OECD's Trade in Value-Added (TiVA) database, this study seeks to provide quantitative estimates regarding the performance of domestic Computer, Electronics and Optical (CEO) Products industry in select economies in the wake of implementation of ITA-1. The study finds that the success of some of the prominent players of CEO products appears to be substantially home grown, and not predominantly driven by imported inputs. It also provides evidence of the decline in domestic industry of CEO products in India after the country started implementing ITA-1. The study dispels the notion that India's participation in ITA-1 gave a boost to its IT services exports.

Introduction

Information technology (IT) products, including computers, telecommunication equipment, semi-conductors etc., are one of the sectors in which much of the international trade is undertaken duty-free. This is a result of the main players in this sector participating in two agreements at the World Trade Organisation (WTO) - the Information Technology Agreement (ITA-1) in 1997 and the expansion of

the ITA-1 (popularly referred to as ITA-2), agreed at the Nairobi Ministerial Conference in December 2015. The Information Technology Agreement (ITA-1) at the WTO sought to expand global trade in IT products by mandating the WTO members participating in the agreement to eliminate and bind customs duties on specified IT products at zero.

Launched at the Singapore Ministerial Conference of the WTO in December 1996,

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ITA-1 came into force in July 1997. ITA-1 now has 81 signatories, who account for approximately 97 per cent of world trade in IT products. It covers a large number of high technology products, including computers, telecommunication equipment, semi-conductors, semi-conductor manufacturing and testing equipment, software, scientific instruments, as well as most of the parts and accessories of these products. Nearly two decades later in 2015, a group of WTO members signed the ITA-2 which covers products belonging to new-generation semiconductors, semi-conductor manufacturing equipment, optical lenses, GPS navigation equipment, and medical equipment such as magnetic resonance imaging products and ultra sonic scanning apparatus.

As the tariff concessions under ITA-1 and ITA-2 are included in the participants' WTO schedules of concessions, the zero-duty tariff regime is implemented on a most-favoured-nation (MFN) basis. Thus, even countries that have not joined the ITA-1 can benefit from the trade opportunities generated by ITA-1 tariff elimination. Brazil is the only country among the top twenty economies by GDP that has opted to remain outside the ITA-1. However, in addition to Brazil, India and Indonesia have also chosen not to become a participant of ITA-2. Perhaps these countries seek to nurture their domestic IT hardware industry by providing tariff protection. It may be noted that while the developed countries phased out their tariffs under ITA-1 during 1997-2000, some developing countries eliminated their tariffs by 2005.

Many studies on ITA-1 have focused on its likely *future* economic impact on the participating countries. However, few studies have examined the economic performance of the domestic IT

producers of goods *after* these countries implemented the obligations under the agreement. Did the increase in imports of parts and components at internationally competitive prices enhance domestic competitiveness, thereby resulting in a substantial increase in domestic production and exports of value-added downstream products? In the absence of tariff protection, were the domestic producers of parts and components and final products able to successfully face import competition? Did duty-free imports of final products in the IT sector displace the domestic players? Did the availability of IT hardware imported duty-free spur exports of IT Services from the country? These questions continue to remain unanswered, despite ITA-1 having been implemented by many countries for almost two decades. It is relevant to explore answers to these questions as some countries belonging to G20, such as Argentina, Brazil, India and Indonesia are not participants in ITA-2.

Using detailed estimates of value-added created in different sectors and different countries as contained in two different editions of the OECD database on Trade in Value-Added (TiVA), the present study seeks to make a modest contribution in understanding how the domestic IT hardware industry has performed in different countries after implementation of ITA-1. Section 2 discusses the methodology and data sources used in this study. Section 3 provides a substantive analysis of the performance of CEO industry in different countries, mostly for the period after the implementation of ITA and seeks to answer the questions mentioned in the preceding paragraph. Section 4 seeks to understand the linkages between G20 and the WTO on issues related to ITA-1/ITA-2. Section 5 draws some broad conclusions.

Methodology and Data Sources

At the core of this study is the concept that the goods and services which consumers buy are composed of inputs from various countries and industries around the world. The study uses OECD's TiVA database and focuses mainly on value-added created by the product category "Computer, Electronics and Optical Products" (hereinafter referred to as "CEO products") in different countries. At the backbone of the TiVA Database are the harmonized Input-Output (I-O) tables from different countries, which are linked with bilateral trade data in order to estimate the share of domestic value-added both in exported and imported goods and services. It also tracks down foreign value-added to the original source country. The OECD TiVA methodology takes cognizance of the possibility that a part of the value of the imports from the last known exporting country may originate from third countries. Overall, the methodology underlying the TiVA Database requires a full set of inter-country I-O tables, where all bilateral exchanges of intermediate goods and services are accounted for. The TiVA database also reveals how the value of final demand goods and services consumed within a country is an accumulation of value generated by many industries in many countries. This study uses two different versions of the TiVA database for its analysis - Edition 2015 of TiVA and Edition 2018 of TiVA. Edition 2015 of the TiVA database includes 61 economies covering OECD, EU28, G20, most East Asian and South-east Asian economies and a selection of South American countries. The industry list covers 34 unique industrial sectors, including 16 manufacturing and 14 services sectors. The years covered are

1995, 2000, 2005 and 2008 to 2011. Edition 2018 of the TiVA database provides indicators for 64 economies including all OECD, EU28 and G20 countries, most East and South-east Asian economies and a selection of South American countries. Moreover, 36 unique industrial sectors are represented within a hierarchy, including aggregates for total manufactures and total services. This edition covers the period 2005 to 2015.

Why are CEO products a good proxy for products covered under ITA-1? From the categorisation of manufacturing industries in TiVA, it is apparent that most of the products covered under the ITA-1, particularly IT hardware, would fall within the scope of Computer, Electronic and Optical products. However, it is possible that a few of the ITA-1 products might fall in other category of industries, such as Electrical equipment; and Machinery and equipment. But it is not unreasonable to assume that most of the ITA-1 products would be within the category of CEO products.

In respect of the TiVA database some caveats are in order. The database requires a vast array of data, which for many countries are limited or unavailable. Imputations, adjustments and strong assumptions are therefore required, which necessarily weaken the quality of the TiVA estimates and create discrepancies with the traditional gross trade data published by National Statistical Offices.

Analysing Trends in Value-Addition in Computers, Electronics and Optical Products

In this section we seek to answer some of the questions raised in this paper. While some anecdotal accounts are available

as answers, for the first time we seek to provide quantitative estimates as responses to the questions regarding the performance of domestic CEO products industry in the wake of implementation of ITA-1. Analysis in this section would be highly relevant for drawing lessons from experience of some developing countries, with implications for some countries which might be contemplating joining ITA-2.

Share of Domestic Value-Added in Total Demand for Computers, Electronics and Optical Products

The total demand for CEO products in a country is composed of two components - export demand and domestic consumption. Further, both these streams of demand create value-added within the country, as well as in other countries. If a country is overwhelmingly dependent

on imports of parts and components, as well as the final CEO products, then domestic value-added will comprise a low share in its total demand. Thus, the trend in shares of domestic value-added in total demand (exports plus domestic consumption) provides a useful basis for comparing the performance of domestic CEO industry across countries (Table 1).

While the data in Table 1 lends itself to many conclusions, two of these stand out prominently for countries/economies in the top band. First, among these countries/economies, during 2005-2015, the share of domestic value-added in total domestic demand for CEO products has increased by 10 percentage points or more for China and Chinese Taipei. Following two factors may be responsible for this trend: first, replacing some of the imported inputs with domestically manufactured parts and components;

Table 1: Share of Domestic Value-added in Total Demand for CEO Products

Country/ Economy	Total Demand for CEO products (\$ Billion)						Domestic Value-added (%)					
	2005	2007	2009	2011	2013	2015	2005	2007	2009	2011	2013	2015
China	247	376	423	637	750	736	52.7	55.4	63.2	61.1	61.3	64.8
Germany	73	104	94	126	120	102	70.1	67.0	55.9	53.3	54.8	54.8
Japan	202	217	191	231	178	150	78.3	77.5	78.9	74.0	66.6	66.9
Korea	116	144	120	169	177	168	59.0	60.6	58.6	55.7	58.9	60.9
Singapore	38	40	41	63	64	58	58.3	60.5	61.2	52.7	56.2	55.6
Chinese Taipei	103	123	99	148	148	144	56.2	55.0	59.5	59.9	64.3	66.2
Thailand	30	30	31	44	47	42	37.1	39.7	41.6	36.6	40.0	43.9
USA	421	496	353	392	337	282	64.3	62.3	63.3	61.6	62.5	64.9
Argentina	4	5	6	9	11	10	31.4	31.9	38.9	36.6	40.0	45.2
Brazil	25	39	41	46	46	27	53.3	55.5	52.2	48.8	45.2	46.4
India	10	17	21	35	32	25	45.5	42.7	42.5	33.2	34.6	34.3
Indonesia	12	15	18	29	31	25	52.9	54.8	49.5	47.4	48.3	55.3
Vietnam	2	4	6	10	13	15	37.5	30.7	37.4	37.3	30.9	30.3

Source: Calculations based on the following Datasets of Trade in Value- Added (TiVA) 2018 Edition: (i) Principal indicator EXGR_DVA: Domestic value added content of gross exports; and (ii) Origin of value-added in final demand.

and the rise of lead firms in these countries in CEO products, resulting in incremental domestic value-addition from activities other than manufacturing. Second, with the exception of China, Chinese Taipei and Thailand, the share of domestic value-added in total demand, has dipped, or remained almost constant, for other countries/ economies in the top band. However, all these countries/ economies benefit from a large amount of domestic value-added in absolute terms. To illustrate, although Germany has witnessed a steep decline in the share of domestic value-added in total demand, demand for CEO products created \$56 billion of value-added domestically. It may be noted that most of the countries/ economies in the top band are developed economies in G20.

The picture of the countries in the bottom band is more interesting. In respect of the two countries which are not part of ITA-1, Argentina and Brazil, the share of domestic value-added in domestic demand is substantially lower than that in most of the countries in the

top band. Thus, despite not being part of ITA-1, the share of foreign value-added in demand for CEO products in these two countries remains higher than that in countries/economies in the top band. As far as the three countries which are part of ITA-1 but not of ITA-2 are concerned, India and Vietnam have witnessed a sharp decline in the share of domestic value-added in total demand of CEO products. For India the share of domestic value-added crashed to 34 per cent in 2015 from 45 per cent in 2005. Further, in absolute terms, the amount of domestic value-added created in 2015 was \$8.6 billion for India and \$4.6 billion for Vietnam. These amounts do not appear significant, as compared to the amount of domestic value-added created in countries in the top band. Given this experience, it is not surprising that India and Vietnam have chosen to stay out of ITA-2. As far as Indonesia is concerned, the total demand for CEO products created domestic value-added of \$14 billion. The reason for Indonesia not joining ITA-2 appears to be the thrust to accelerate the push

Table 2: Share of Domestic Value-added Created in India in total Demand for CEO Products (As per TiVA Database 2015 Edition)

Year (1)	Total Demand (\$ Billion) (2)	Domestic Value-added (% of Total Demand) (3)
1995	7.54	70.27
2000	8.60	60.93
2005	17.36	43.65
2008	26.99	37.70
2009	29.17	39.51
2010	30.97	44.12
2011	34.41	45.19

Source: Data in columns 2-3 based on calculations using the following Datasets of Trade in Value Added (TiVA) 2015 Edition: (i) Origin of value-added in gross exports; and (ii) Origin of value-added in final demand.

for increased domestic value-addition, which is showing an upward trend from 2010 onwards. Overall, four of the G20 members - Argentina, Brazil, India and Indonesia - appear to have divergent interests on ITA-1/ITA-2 as compared to some of the other G20 countries.

India's domestic sector of CEO products merits a further examination. While the share of domestic value-added in total demand for CEO products dipped precipitously by 11 percentage points during 2005-2015, it would be instructive to understand what was the situation in an earlier period. Unfortunately, we do not have data on a strictly comparable basis for previous years. However, an earlier version of TiVA database - Edition 2015- provides some data which is quite relevant and instructive. Table 2 provides details of the total demand for CEO products, domestic value-added created by the total demand and the domestic value-added as a percentage of total demand for the years for which data is available in Edition 2015 of TiVA.

Data in Table 2 confirms the anecdotal evidence available from industry sources in India which suggests an inability of the domestic firms in CEO products to compete with imported products and the absorption of their market share by imports after India started implementing its commitments under ITA-1. After India started implementing ITA-1 and till 2011, domestic value-added as a share in total demand for CEO products declined by almost 25 percentage points. While the calculation in Tables 1 and 2 are based on different editions of TiVA and hence cannot be strictly compared, both tables point to the following unmistakable trend: after India started implementing ITA-1 commitments, the economic prospects of its domestic industry of CEO products declined alarmingly.

Share of Computers, Electronics and Optical Products as Inputs in IT Services Exports of India

Some studies have sought to attribute the success of a few countries in information and communications technology (ICT) services to their participation in ITA-1. Was India's participation in ITA-1 a causal factor spurring its exports of Information Technology services? It may be recalled that under the TiVA framework, export of a product/service is an accumulation of value generated by many source industries upstream in many countries. We, therefore, examine this question by analysing the value-added created upstream by exports of IT services and the share of CEO products in it. If participation in ITA-1 has indeed spurred India's exports of IT services, then the share of CEO products in total value-added created in the upstream source industry would show an increasing trend after India implemented its ITA-1 commitments.

We use Edition 2015 of TiVA to examine whether duty-free imports of IT hardware contributed to the impressive performance of India's IT services exports. From the dataset it is possible to identify the amount of value-added created in different upstream source industries on account of exports of India's IT services. This enables us to pinpoint the contribution of CEO products in India's IT services exports. In Edition 2015 of TiVA, the exporting industry which comes closest to IT services is computer and related activities. Table 3 provides details of the upstream value-added created in CEO products on account of India's exports of services of computer and related activities.

As is evident from Table 3, the share of CEO products as inputs for India's

exports of computer and related activities services declined sharply from around 5 percentage points to less than 1 percentage point during the transition period when India commenced tariff reduction on IT products under the ITA-1. After tariffs on all products within the scope of ITA-1 was reduced to zero in 2005, the contribution of CEO products as upstream inputs in exports of computer and related activities services gradually declined to less than half a percentage point in 2011. These trends do not support the contention that participation in ITA-1 was a causal factor in the impressive performance of India's IT services exports. It is also relevant to mention that India's IT services exports recorded high growth even *prior* to India signing the ITA-1.

G20 Digital Economy Agenda and Trade in IT Products

At the G20 forum, issues related to the digital economy have acquired considerable prominence. To illustrate, the G20 Osaka Leaders' Declaration reaffirmed "the importance of the interface between trade and digital economy" and noted "the ongoing negotiations under the Joint Statement Initiative on electronic commerce". Under the Joint Statement Initiative (JSI), about 80 members of the WTO are negotiating rules on electronic commerce. While these negotiations involve a large number of issues, an attempt is also being made to get some of the countries which had kept themselves out of ITA-1/ ITA-2 to join these agreements. By virtue of being members of the JSI, some of the

Table 3: Share of CEO Products as Upstream Inputs for India's Exports of Computer and Related Activities & Services

Year (1)	India's Gross Exports of Computer and Related Activities Services (\$ Million) (2)	Contribution of CEO Products from all Countries as Source Industry for India's Gross Exports of Computer and Related Activities Services (\$ Million) (3)	Share of CEO Products from All Countries in India's Gross Exports of Computer and Related Activities Services (%) (4)= (3)*100/(2)
1995	963	50	5.1
2000	2376	125	5.2
2005	9238	74	0.8
2008	18406	118	0.6
2009	15178	87	0.6
2010	21791	112	0.5
2011	26394	113	0.4

Source: Calculations based on the following Dataset of Trade in Value Added (TiVA) 2015 Edition: Origin of value added in gross exports. Exporting industry: Computer and related activities. For column 2 Source industry is set to Total. For column 3 Source industry is set to CEO products.

G20 countries, such as Argentina, Brazil and Indonesia, are already confronting the possibility of being required to join ITA-1/ITA-2. The possibility that G20 will be used to “encourage” countries such as India and South Africa to join the JSI cannot be ruled out. In such an eventuality, both these countries will also have to grapple with the reality of joining ITA-2. This could provide a fascinating case study for understanding how the G20 forum is being used to push the negotiating agenda of the developed countries at the WTO.

Conclusion

Understanding the economic performance of IT hardware industry in some of the countries in the post-ITA-1 phase provides important insights for countries which are being persuaded by developed countries, and their IT manufacturers, to join ITA-1 and ITA-2. A number of important conclusions emerge from this paper.

Success of some of the prominent players of CEO products appears to be substantially home grown, and not predominantly driven by imported inputs. During 2005-2011, domestic value-added contributed around two-thirds of total demand of CEO products in China, Japan, Korea, Chinese Taipei, and the US. Although these countries/territories are participants in the ITA-1 and ITA-2, their success in CEO products was driven less by foreign inputs and more by domestic value-addition. On the other hand, in countries not participating in ITA-2, such as Argentina, Brazil, India, Indonesia and Vietnam, foreign value-added contributed around half of the total demand. This provides another reason why these five developing countries, four of which are G20 members, have

not warmed up to ITA-2. It is relevant to note that in India the domestic value-added declined sharply from 45 per cent in 2005 to around 34 per cent in 2015. If we consider information from another dataset, then it becomes clear that during implementation of ITA-1 and thereafter, the domestic producers of CEO products in India took a massive hit as the domestic value-added in total demand of these products plunged from 70 per cent in 1995 to around 45 per cent in 2011. Further, the study did not find support for the claim made by some experts that the success of India’s IT services exports was on account of zero-duty imports of IT hardware under ITA-1.

Overall, developing countries that have stayed away from ITA-1/ ITA-2 should not get swayed by the supposed benefits of participating in ITA-1 and ITA-2. While taking a decision on this important issue, they must not only critically scrutinise the evidence of gains from participating in them as adduced by the proponents of these agreements, but they should also take into account the experience of the producers of computer, electronic and optical products in some countries which have suffered after implementing obligations under ITA-1. Finally, another element in the decision making process should be the appreciation that success in this sector depends crucially on a number of factors, including the following: first, domestic availability of parts and components; second, availability of indigenous technology; and third, capability for undertaking activities related to non-manufacturing segments in the entire life cycle of IT hardware. If none of these elements are present in a country, then it is unlikely that it would be able to create substantial economic value

by participating in ITA-1/ITA-2. Any binding commitments will erode the much-needed policy space and reduce the ability of the governments to generate additional revenues. Some of the G20 countries, including India and South Africa, need to be cautious about making commitments at the G20 platform, which might bind them to the ITA-2.

An important caveat is in order. The data provided in OECD TiVA datasets are, at best, estimates. Thus, instead of focusing on absolute value of different variables, it may be more appropriate to concentrate attention on cross-country comparisons and trends over time. Further, the quality of data in the TiVA database is weakened by various assumptions and adjustments made for filling the gaps in data which exist for many countries.

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Strengthening Infrastructure Governance: Moving the G20 Agenda from Aspiration to Action

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Abstract: Drawing on the IMF's recent G20 engagements on infrastructure issues, this article examines the role of infrastructure governance in moving G20 aspirations for quality infrastructure into action. First, the article explains how infrastructure governance can underpin the G20's efforts to pursue quality infrastructure investment (QII), and demonstrates that strong infrastructure governance is key for countries to reap the full benefits of G20 infrastructure initiatives. Second, the article highlights the importance of ensuring that the G20 initiatives be pursued beyond the one-year horizon of a G20 presidency. In this regard, it demonstrates that QII has managed to maintain traction beyond Japan's presidency by linking its implementation to IMF's tools to help strengthen infrastructure governance. Finally, the article concludes by drawing lessons for incoming G20 presidencies and exploring how such lessons can be applied if they decide to take on the issue of greening public investment as one of their infrastructure priorities.

Introduction

Promoting infrastructure investment to support and reinvigorate economic growth has been a key issue on the G20 agenda in recent years and is likely to remain central in the coming years. Argentina's and Saudi Arabia's G20 presidencies (2018 and 2020) have promoted the concept of "infrastructure as an asset class" and explored innovative mechanisms and stronger

partnerships with institutional investors to attract more private capital. Japan's 2019 presidency, building on discussions since China's 2016 presidency, sharpened the focus on the quality aspects of infrastructure investment, based on the understanding that infrastructure investment can make a full contribution to economic growth and development only when it is of high quality. Saudi Arabia's 2020 presidency, while emphasising

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“InfraTech” issues—the importance of innovation in infrastructure investment—has also sought to maintain the focus on quality investments, including by looking at fiscal risks from private participation in infrastructure investment.

The strong and continued G20 interest in advancing the infrastructure agenda reflects the critical role that infrastructure investment plays in country efforts to achieve sustainable and inclusive growth and development. The focus of policy makers on infrastructure investment will likely intensify in the aftermath of the Covid-19 pandemic, where public investment is expected to support economic recovery and make up for inadequate infrastructure spending in the past. This more intense focus on public infrastructure issues will be facilitated by an increasing need to address issues related to climate change as properly designed and implemented infrastructure investments can help build resilience to natural disasters and mitigate the effects of climate change.

Starting in 2015, the IMF has intensified its analytical work and capacity development activities on infrastructure governance, that is, the institutions and frameworks for planning, allocating, and implementing infrastructure investment spending (IMF 2015, 2018; Schwartz et al. 2020). In this context, the IMF has also actively supported the G20 discussions on quality infrastructure and its governance. For instance, under Japan’s presidency in 2019, the IMF drew the attention of policy makers to the need to strengthen infrastructure governance as a prerequisite for delivering high-quality infrastructure (IMF and OECD 2019). Furthermore, as the countries are likely to become increasingly eager to tap private sector financing, the IMF has flagged

the urgent need to put in place strong infrastructure governance institutions to assess and manage fiscal risks associated with public-private partnerships (PPPs).

Drawing on these recent G20 engagements, particularly during Japan’s and Saudi Arabia’s presidencies, this article examines the role of infrastructure governance in moving the G20 aspirations for quality investment into action. First, the article explains how infrastructure governance can underpin the G20’s efforts to pursue quality infrastructure investment (QII), and it demonstrates that strong infrastructure governance is key for countries to reap the full benefits of G20 initiatives. Second, it shows that QII has managed to maintain traction beyond Japan’s presidency by linking its implementation to IMF tools that help strengthen infrastructure governance. Finally, the article concludes by drawing lessons for incoming G20 presidencies and exploring how such lessons can be applied if they decide to take on the issue of greening the investment as one of their infrastructure priorities.

G20 Initiatives and the Role of Infrastructure Governance

One of the key G20 infrastructure initiatives in recent years has been QII; the G20’s efforts on this front culminated in the endorsement of the QII Principles under Japan’s 2019 presidency. The Principles set out the G20’s strategic directions for promoting QII and embrace infrastructure governance as one of the main principles (Ministry of Finance, Japan 2019). This section lays out why quality aspects of infrastructure investment matter and how infrastructure governance can support the G20’s collective aspirations for QII.

Why Quality Infrastructure Investment Matters?

Prior to the Covid-19 pandemic, governments around the globe were already facing massive infrastructure needs. For low-income developing countries and emerging-market economies, reaching Sustainable Development Goals (SDGs) requires a large scale-up in infrastructure, particularly in roads, electricity, and water and sanitation.¹ Many advanced economies have aging infrastructures that require large spending for maintenance and modernisation, and almost all countries face issues related to making their infrastructure more resilient to climate change and natural disasters. The Covid-19 pandemic has exacerbated infrastructure needs by: (1) unraveling the poor state of health and crisis infrastructure and level of preparedness in most countries, including in advanced economies; and (2) delaying ongoing and new investment projects due to lockdowns, social distancing, and dwindling fiscal space.

Yet, countries only have few options available to meet these spending needs:

- *Borrowing* is hampered by high and unprecedented levels of public debt. Gross global public debt level is expected to reach 96.4 per cent of GDP in 2020, an increase of 15 percentage points relative to 2018, affecting all income groups (IMF 2020a). Over two-fifths of low-income developing countries were assessed to be at high risk of, or in, debt distress (IMF 2019). The full fiscal impact of the Covid-19 pandemic is still uncertain and could add even more to this already large debt stock and intensify debt vulnerabilities.

- *Revenue mobilisation* is key to increasing available resources, but it is unlikely to be sufficient to generate the resources needed—especially in the aftermath of the Covid-19 crisis. In advanced G20 countries, revenue is projected to decrease by 2.5 per cent of GDP in 2020 (IMF 2020a). Large and continuous increases in revenue commensurate with infrastructure spending needs require a strong and sustained government commitment that is highly uncertain at this juncture.
- *Private sector participation* in infrastructure investment, for example, in the form of PPPs, can be an important contributor; PPPs can harness private-sector innovation and efficiency to improve infrastructure service provision. Recourse to PPPs may increase also due to the reduced fiscal space available to governments. However, they pose various fiscal challenges, including long-term fiscal costs and fiscal risks,² which are often underestimated.

In sum, finding additional fiscal resources is likely to be limited in the coming years, and seeking private-sector participation can help but bears significant fiscal costs and risks; neither will suffice to meet the large infrastructure spending needs. This fact suggests that governments should now—more than ever—seek to spend better, so that every unit of money spent yields higher returns. Maximising the quality of infrastructure investment is therefore essential for all countries.

Role of Infrastructure Governance

Creating quality infrastructure is challenging. Outcomes of public investment projects are often

disappointing, regardless of the country's income level. There are numerous examples of problematic projects around the world with large costs overruns, significant delays, and poor social dividends.

What do governments need to do to improve the quality of infrastructure investment and meet the G20's aspirations? Research by the IMF (IMF 2015, 2020c, Irwin, Mazraani, and Saxena 2018; Queyranne, Daal and Funke 2019; Schwartz et al. 2020) finds that strong infrastructure governance is key to optimise the returns on infrastructure investment.

- *Growth impact:* Infrastructure governance plays a critical role in determining the macroeconomic effects of public investment. Countries with better governance systems enjoy more positive output effects from public investment; the effects disappear in countries with weaker governance (Baum et al. 2020b). In this connection, and post-Covid-19, strong infrastructure governance allows countries to prepare a set of projects that have gone through rigorous appraisal and selection processes and which can be swiftly implemented to support economic recovery once the Great Lockdown ends (IMF 2020c).
- *Efficiency effects:* On average, more than one-third of the resources spent on public investment are lost because of inefficiencies³ linked to poor infrastructure governance. It is estimated that, on average, better infrastructure governance could make up more than one-half of the observed efficiency losses (Baum, Mogues, and Verdier 2020a).

- *Reduction of corruption:* Strong infrastructure governance institutions are associated with lower perceived levels of rent-seeking and corruption, which suggests that open, competitive, and transparent procedures for allocating and implementing public investment projects are particularly important in limiting opportunities for corruption (Pattanayak and Verdugo 2020).
- *Mitigation of fiscal risks:* Well-selected, properly funded, and adequately maintained projects reduce the risks that public investment spending can pose to public finances. This holds true also for privately financed projects. Research by IMF shows that strong infrastructure governance institutions can help address fiscal risks associated with PPPs because they allow countries to actively identify, manage, and report such risks.

These outcomes demonstrate that better infrastructure governance is key to attain quality infrastructure, as measured by its impact on growth, spending efficiency, corruption reduction, and fiscal risk management. This is not surprising, given that strong infrastructure governance institutions empower governments to plan, allocate, and implement infrastructure spending in the most effective way to meet their policy goals in a fiscally sustainable manner.

Although future G20 presidencies will, no doubt, seek to shape the global infrastructure agenda and develop new initiatives, it is important to remember that governments need to be equipped with strong infrastructure governance institutions in order to meet the objectives of the G20 initiatives to which they agreed.

Tools to Ensure Lasting Success

One of the challenges inherent to the G20 process is the absence of formal institutional mechanisms to ensure implementation of agreed policy initiatives. The establishment of working groups in some policy areas including infrastructure and the so-called “troika” arrangement, whereby the G20 president works closely with the previous and the following presidencies, allow for some consistency over multiple years. There is, however, a risk that momentum for G20 initiatives in any given year can wane rapidly, because the presidency rotates every year and G20 priorities evolve. Such stop-go commitments have a detrimental effect on policy impact. Therefore, it is important that strategies are put in place to ensure that the ambitious goals and aspirational principles agreed at the G20 are translated into actions that can have an ongoing impact over the medium-term.

One strategy to overcome this challenge would be to link G20 initiatives to the existing tools for policy implementation often provided by international organisations, thereby ensuring that these objectives will be pursued well beyond the one-year horizon of a G20 presidency. Japan has demonstrated an effective way of doing so by linking the G20’s QII initiative to the creation of an “Infrastructure Governance Facility” – a facility hosted by the IMF to help countries strengthen infrastructure governance—as a mutually reinforcing platform for IMF’s tools and Japan’s QII agenda. This section describes IMF tools that have supported the implementation of the G20 QII initiative.

Public Investment Management Assessment

The IMF’s Public Investment Management Assessment (PIMA), developed in 2015, is a practical and comprehensive diagnostic tool for assessing the infrastructure governance of countries at all levels of economic development (IMF 2015, 2018). As a global tool, the PIMA is well-placed to help countries strengthen infrastructure governance and enhance the quality of their infrastructure investment (Box 1).

PIMAs evaluate 15 institutions, or practices, involved in the three key stages of the public investment cycle: (1) planning sustainable investment across the public sector; (2) allocating investment to the appropriate sectors and projects, and (3) implementing projects on time and within budget. To complete the analysis, PIMAs also include a qualitative assessment of three cross-cutting enabling factors that often impact the overall effectiveness of infrastructure governance institutions: (1) legal and regulatory framework, (2) IT systems, and (3) general staff capacity.

By covering the full public investment cycle in a comprehensive manner, PIMAs address the network nature of infrastructure governance. In a network, the weakest link determines the overall quality of the network. For infrastructure governance, that means the benefits of having strong institutions in some areas may be jeopardized by weaknesses in other areas. For example, a country may employ high-quality practices for planning public investments, but these practices will not be effective if insufficient funding is allocated to projects during budget preparation, or if funding gaps during project implementation impede project completion.

Box 1: Completed Public Investment Management Assessments

From 2015 to March 2020, PIMAs have been conducted in 63 countries across all regions and income levels (Figure 1). PIMAs and follow-up capacity development activities are conducted by IMF staff in cooperation with staff from other organisations (such as the World Bank, Inter-American Development Bank, and Asian Development Bank), and are supported by the IMF's regional capacity development centers.

Figure 1: PIMAs around the World



Note: Countries in dark blue are those that have conducted PIMAs.

Source: IMF staff.

Another key feature of PIMAs is that they make clear distinctions between institutional design (what is on paper) and effectiveness (what happens in practice). This is important because what exists on paper may differ from actual practice. For example, a country may have developed robust guidelines for project appraisal, but they may only be applied to a few projects. IMF analyses (Chaponda, Matsumoto, and Murara 2020; IMF 2018) show that countries generally fare better on institutional design than effectiveness, indicating that many countries face difficulties in translating institutional arrangements into practical actions, often due to

capacity constraints. Figure 2 shows how emerging market economies' public investment management institutions fare *de jure* (institutional design), and in practice (effectiveness), according to the PIMA exercise.

In addition to assessing a country's infrastructure governance features, PIMAs offer recommendations for reform. This is done in the form of a sequenced and prioritised action plan that is tailored to country-specific needs, constraints, and capacities. Many countries have taken actions to implement PIMA recommendations. Some examples are presented in Box 2.

Box 2. Examples of Infrastructure Governance Reforms to Implement PIMA Recommendations

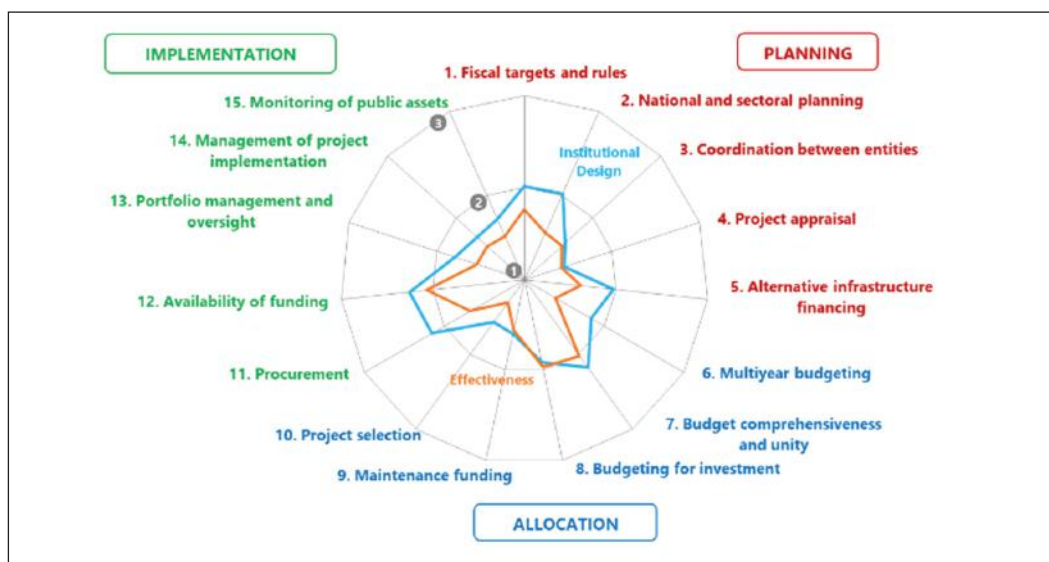
A PIMA conducted in **Ireland** in 2017 found that infrastructure governance practices generally met high standards. Nevertheless, recommendations were made to enhance infrastructure governance practices, and the National Development Plan 2018–2027 presented several new measures based on the PIMA recommendations. These include (1) establishment of an Infrastructure Projects Steering Group; (2) publication of a Capital Tracker, which will become Ireland’s primary tool for public transparency on infrastructure projects, priorities, timelines, and performance targets; and (3) improvements in the methods of project appraisal and selection.

In **Kenya**, the PIMA conducted in January 2017 recommended the establishment of a central public investment management unit to improve coordination among ministries and agencies. It also identified the need for a set of standard project appraisal guidelines to impose consistency across entities. In the months that followed, both reforms were implemented by the government with the support of development partners.

From 2012–2013, **Mongolia** experienced a rapid expansion of off-budget spending on public investment, financed by borrowing through the Development Bank of Mongolia. The level of spending, which was volatile, reached nearly 10 per cent of GDP and led to a large accumulation of liabilities. Amid declining revenues, Mongolia was unable to sustain this level of spending as it reached the limits of its borrowing capacity. Following the PIMA, authorities transferred the off-budget projects to the state budget and introduced tighter control over the Development Bank of Mongolia’s borrowing for new projects. Mongolia also improved project appraisal and selection through a new standard methodology and evaluation criteria, as recommended by the PIMA.

Sources: PIMA Reports.

Figure 2: PIMA Scores for Emerging Market Economies



Source: PIMA reports.

Note: The further away from the center, the higher the PIMA score.

Public-Private Partnership Fiscal Risk Assessment Model

Facing massive infrastructure needs, countries – particularly those with limited fiscal space – are showing strong interest in tapping private sector financing for infrastructure investment in the form of PPPs. As a result, issues related to how best to involve the private sector have been major infrastructure topics at the G20 throughout recent presidencies.

Yet, as discussed above, PPPs pose challenges for fiscal management, and strong infrastructure governance institutions are needed to ensure that

countries promote PPPs in a fiscally responsible manner. The IMF flagged this issue in the context of the QII initiative and has been tasked with developing a reference note focused on PPPs and fiscal risks, reflecting strong interest by member countries.

Just as PIMA has served as a practical tool linked to the QII initiative, the Public-Private Partnership Fiscal Risk Assessment Model (PFRAM) – developed by IMF and the World Bank to assess the potential fiscal costs and risks arising from PPP projects – can be a useful tool to address the fiscal challenge associated with PPPs.

Box 3. The Public-Private Partnership Fiscal Risk Assessment Model (PFRAM)

The Public-Private Partnership Fiscal Risk Assessment Model (PFRAM) was developed by IMF and the World Bank as an analytical tool to assess the potential fiscal costs and risks arising from public-private partnership projects. In many countries, investment projects have been procured as public-private partnerships not for efficiency reasons but to circumvent budget constraints and postpone recording the fiscal costs of providing infrastructure services. Accordingly, some governments procured projects that either could not be funded within their budgetary envelopes or that exposed public finances to excessive fiscal risks.

PFRAM provides a structured process for gathering information for a portfolio of public-private partnership projects in a simple, user-friendly, Excel-based platform, following a five-step decision-tree: (1) Who initiates the project? (2) Who controls the asset? (3) Who ultimately pays for the asset? (4) Does the government provide additional support to the private partner? (5) What does the public-private partnership contract risk allocation tell about macro-fiscal risks?

Based on project-specific and macroeconomic data provided by users, PFRAM generates standardised outcomes. The outcomes include project cash flows, fiscal tables/charts on a cash and accrual basis, and debt sustainability analysis, with and without the public-private partnerships. Sensitivity analysis of main fiscal aggregates to changes in macroeconomic and project-specific parameters is also conducted, and a summary fiscal risk matrix of the project is produced.

Since its introduction in April 2016, PFRAM has helped to better understand the long-term fiscal implications of individual or a portfolio of public-private partnership projects. As an analytical tool, PFRAM helps country authorities quantify the macro-fiscal implications of public-private partnerships, understand the risks assumed by government, and identify potential mitigation measures.

Source: Schwartz et al. 2020.

As an analytical tool, PFRAM helps country authorities quantify the macro-fiscal implications of PPP projects, understand the risks assumed by governments, and identify potential mitigations measures. Since its initial launch in 2016, PFRAM has been used in the context of IMF and World Bank technical assistance, as well as by country authorities—mainly PPP units in ministries of finance—to better understand the long-term fiscal implications of PPP projects. Building on the lessons of three years of use, a new version of this analytical tool, PFRAM 2.0, allows for the analysis of a portfolio of PPP projects, expands the sensitivity analysis to macroeconomic shocks, and provides a more user-friendly interface.

Conclusion: Lessons for Incoming Presidencies

This paper has highlighted how strong infrastructure governance—coupled with practical tools to help countries address shortcomings in their infrastructure governance frameworks—contributes to quality infrastructure and promotes private-sector involvement in infrastructure in a fiscally responsible manner, particularly where fiscal space is limited. Two tools, the PIMA and PFRAM, were shown to be key elements in this regard. Fostering quality infrastructure investment is likely to remain an important topic as the economic implications of the Covid-19 pandemic unfold. For now, two lessons for future G20 presidencies can be summarised as follows:

- In whatever form future presidencies tackle the infrastructure investment agenda, strong infrastructure governance will be a key enabler for producing efficient, growth-friendly, and resilient infrastructure outcomes.

- The sustained success of G20 initiatives depends on being able to link specific initiatives to readily available tools that can facilitate consistent implementation over the medium-term, both for G20 countries and globally.

The Covid-19 pandemic has shown that crisis preparedness and economic growth are closely linked (IMF 2020b). In the coming years, as the fallout from the Covid-19 pandemic influences economic policymaking, a sustained focus on infrastructure investment issues could help support both economic growth objectives and the need to build more resilient economies. In this context, it will be important to seize the opportunity to promote a “green recovery.” Achieving a “greening of the recovery” would be facilitated by strong infrastructure governance to help countries prioritise infrastructure projects that are climate-friendly and resilient to climate risks. As the IMF’s Managing Director recently stated,⁴ *“Coming out of one crisis need not be a prelude to getting into another – a ‘green recovery’ is our bridge to a more resilient future.”*

Hence, a green recovery—one that supports both growth and resilience—would require a greening of public investment spending that is accompanied by strengthened infrastructure governance, with climate considerations properly integrated into such aspects as project planning, project appraisal, and project selection processes. Supporting a green recovery in the G20 context would not only require political agreement on key elements but also readily available tools that allow countries to implement these key elements. For its part, IMF staff is working to create such tools, including by integrating resilience and climate issues into the PIMA

framework, and stands ready to assist future presidencies to advance the G20 infrastructure investment agenda.

Endnotes

1. It is estimated that the total cumulative investment needs before 2030 in these three sectors are substantial at 36 per cent of their GDP (Xiao, D'Angelo, and Le 2020).
2. For comprehensive discussions on PPPs and fiscal risks, see IMF, forthcoming; Irwin 2018; and Queyranne, Daal, and Funke 2019.
3. In this analysis, a measure of the efficiency of public investment spending is provided by comparing the value of public capital and resulting outcomes in infrastructure volume and quality across countries. More efficient countries can create higher volume and quality of infrastructure assets for the same amount of public investment than less efficient countries.
4. Opening Remarks by the IMF Managing Director Kristalina Georgieva at the Petersberg Climate Dialogue XI, April 29, 2020.

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The G20 and the Global Financial Architecture

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Abstract: The Global Financial Architecture can be seen as a triptych of three faces, namely International Financial Markets, Bilateral and Multilateral assistance for Developing Countries, and the self-insurance mechanisms of EMDEs. The G20 played a major role in reforming and upgrading the Global Financial Architecture in the wake of the Global Financial Crisis (GFC) over a decade. This consisted of reforming and tightening financial regulation and in enhancing global safety nets. The GFC also saw the US Federal Reserve's emergence as the fourth pillar of the GFA. This architecture has held up fairly well during the current Covid-19 crisis so far. It has also shown that both Emerging Asia and Europe are no longer dependent on the Global financial safety net. This crisis however threatens to be as big, if not deeper, than the Global Financial Crisis. The real test may therefore lie ahead. Global cooperation of the kind seen at the time of the GFC over a decade ago looks increasingly difficult in the current environment, and will be tested were the Covid-19 related crisis to be protracted.

The Global Financial Crisis and the G20

Amongst the most important issues on the table of G20 Leaders at their 15th – and first virtual – Summit in Saudi Arabia was the health of the extant GFA (Global Financial Architecture) in addressing the Covid-19 related economic crisis. The leaders reiterated their “commitment to ensure a stronger global financial safety net with a strong, quota-based, and adequately resourced IMF at its center.”¹

The Global Financial Crisis (GFC) of 2008 was the trigger for elevating the extant G20 Finance Ministers forum to Summit level. Global governance up to that point was dominated by the G7 and the Bretton Woods institutions. Emerging Markets and Developing Economies (EMDEs) were still seen largely as recipients of aid. However, trend growth had stagnated and declined in Advanced Economies (AEs) even as fast growth in EMDEs was the major driving force behind the great moderation leading

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Table 1: Shares of Global Economy at Purchasing Power Parity (%)

	1990	2000	2010	2020
AEs	63.2	56.7	46.3	42.5
EMDEs	36.8	43.3	53.7	57.5
EDA	12.4	16.6	25.6	32.4
EDA Share in EMDE Growth	-	65.0	87.0	179.0

Source: IMF World Economic Outlook Database, October 2020.

Note: AE: Advanced Economies; EMDEs: Emerging Markets and Developing Economies; EDA: Emerging and Developing Asia

up to the crisis.² The relative weight of EMDEs in the global economy had risen sharply, resulting in institutions of global governance becoming increasingly dysfunctional³ (Table 1). It was therefore felt that the bigger EMDEs, particularly China and BRICS (Brazil, Russia, India China and South Africa), needed to be inducted as stakeholders in global economic governance.

This was especially so since mounting global imbalances were seen as one of the major underlying causes of the crisis. The G20 was the most compact multilateral forum for effective decision making that included the BRICS and other major EMDEs. At the Pittsburgh Summit the G20 designated itself as the premier forum for global economic cooperation, effectively replacing the G7.

The Global Financial Architecture

One of the biggest challenges before the G20 was a runaway financial system that lay at the roots of the crisis. It consequently played a seminal role in reshaping the Global Financial Architecture. This architecture on the eve of the crisis can be seen as a triptych with international capital markets dominated by Advanced Economies (AEs) in the central frame, bilateral and multilateral assistance on which developing countries

were dependent for balancing their current accounts on one side frame, and the large self-insurance mechanism of Foreign Currency (FC) reserves of major Emerging Markets and Developing Economies (EMDEs) on the second side frame. The three frames themselves could be seen as encased within the international monetary system, with the US dollar as the *de facto* global reserve currency used in cross border trade and capital flows.

EMDEs had long accessed international capital markets for commercial borrowings and private equity flows. These markets however exposed them to the vagaries of shifts in US Federal Reserve policies, sudden stops and Balance of Payments (BOP) crises. This is what happened during the Latin American debt crisis of the 1980s, India's BOP crisis of the early 1990s and the Asian Financial crisis of the late nineties.

The resources of Multilateral Development Banks (MDBs) however did not grow in tandem with their external financing needs, as the fiscal space of their AE donors shrank with declining trend growth. EMDEs consequently built up their own self-insurance mechanism of FC reserves, aided by a strategy of export-led hyper growth. This resulted in mounting global imbalances. These were recycled to finance a consumption

boom in AEs, in particular the US, just as the recycling of oil surpluses had earlier financed a consumption boom in Latin America.

In the case of Latin America, India and Asia, the consumption boom ended with sudden stops and BOP crises. In the US, with the enormous privilege of the global reserve currency, the end of the consumption boom arising out of a reversal in Federal Reserve monetary policy resulted in a major financial crisis emanating from the shadow banking system.

The G20 Attempts to Fix the Roots of the GFC

Weaknesses in the financial system were consequently seen very early on by the G20 as one of the two ultimate causes of the GFC, the other being global imbalances. The Leaders Statement in the first three G20 summits at Washington DC, London and Pittsburgh spelt out in some detail the direction of the reforms needed. One of the first four WGs set up by the G20, of which India was a co-chair, was on regulatory reform of the financial system.

Alongside this, the Financial Stability Forum, a G7 club, was restructured into the Financial Stability Board (FSB) by including all developing G20 countries. The FSB was tasked by the G20 to monitor the formulation and implementation of financial sector reforms, and coordinate with various standard setting bodies such as the Basle Committee on Banking Supervision (BCBS) and the International Organization of Securities Commissions (IOSCO), and report back to the G20. There were periodic updates by the FSB at all deputies meetings in the finance track, and an annual report to leaders.

Since EMDE financial markets were already fairly tightly regulated, they were not very engaged in the intense G20 debates over financial regulation. These were mainly between the US and UK on the one hand, who batted for lighter touch regulation, and Europe on the other that pitched for tighter regulation. EMDEs were inducted into the global economic governance chiefly for their role in global imbalances, seen as the second root cause of the GFC. The issue of global imbalances was sought to be addressed through the Framework for Strong, Sustainable and Balance Growth, launched at the third G20 summit at Pittsburgh. The Framework Working Group was to evolve into the flagship Working Group of the G20, with India as one of the co-chairs, alongside Canada.

Financial Regulatory Reform

The G20 financial regulatory reform agenda as summarised by the FSB in G20 meetings was based on four pillars: (a) a strong regulatory framework – centred on implementing the new countercyclical BCBS capital and liquidity framework, or BASEL III (b) effective supervision – bringing all major financial jurisdictions under the regulatory umbrella, and dealing with the dragon of shadow banking; (c) resolution and addressing the oversized risks arising from systemically important financial institutions (SIFIs) – with focus on Global SIFIs and living wills. (d) transparent international assessment and peer review – such as periodic stress tests of the financial system and FSAPs (Financial Sector Assessment Programs) by the IMF.

The major successes of the G20 in financial regulatory reform to date are in overseeing implementation of the new Basel III capital and liquidity framework,

requiring the originators of securitised instruments to retain some skin in the game to reduce moral hazard, bringing all major jurisdictions under the regulatory umbrella, listing and monitoring of G-SIFIs, monitoring of shadow banking, and mainstreaming macroprudential regulation, which had so far been largely limited to developing countries like India, to address procyclicality.⁴

Its major failures to date comprise the inability to regulate of shadow banking, compensation practices, the regulatory divergence between Europe and the US, where there has been some rollback, and in addressing the pro-cyclicality arising from the mark-to-market mechanism, so eloquently underscored by Sheila Bair as Chair of the US Federal Deposit Insurance Corporation (FDIC). The expectation that macroprudential policies would address this pro-cyclicality and keep the irrational exuberance of markets in check has however been belied by experience new financial technologies deriving from greater digitalisation, accelerated by the Covid-19 crisis, are new challenges that lie ahead in the area of financial regulation.

EME Concerns: Macroprudential Regulation and Safety Nets

In the G20 debates on the financial system, Emerging Market concerns, including India's, were centred on evolving a G20 consensus on macroprudential regulation that would enable them to deal with volatile and destabilising capital flows. These were exacerbated by large-scale Quantitative Easing in AEs that complicated their monetary management by destabilising exchange rates. External demand comprised an important engine of growth for them during the economic

boom on the Great Moderation in the pre-crisis period.

Thus, while central banks were applauded for their swift action in stabilising asset prices, unconventional monetary policies also came to be seen as a new source of growth in financial markets. QE also got drawn into the debate on global imbalances and currency wars, which was the biggest frictional issue at the fifth G20 Summit at Seoul. The prevailing orthodoxy, underwritten by the IMF, was to move toward nonintervention in foreign currency markets and full convertibility. In this, the EMDEs were able to get their way by negotiating more policy space.

Their other concern was to build consensus on strengthening the Global Financial Architecture by bolstering global and regional safety nets, and to increase their own representation in its governance structure. Here too they were successful to a limited extent, as IMF's resources were doubled, and their weight in its governance structure was slightly enhanced, although it still remains far short of commensurate even by IMF's own quota calculation formula.

EMDEs were however not the direct beneficiaries of the enhanced global safety net to which they contributed, as this was mostly used to bail out countries in the European Monetary Union (EMU)⁵. The GFC impacted their growth but did not destabilise their financial systems. The G20 EMDEs financial systems were tightly regulated and were in any case largely self-insured, IMF procedures were not considered nimble enough, and following the Asian Financial Crisis they were wary of entering into advance arrangements with the IMF on account of the stigma effect on markets that raised their borrowing costs. In addition to enhancing the resources of the IMF

Table 2: Weights in Multilateral Economic Governance

Grouping/ Country	IMF Quota Shares		World Bank	Economic Weight IMF Formula	
	2007	Current	Voting Power	2008	2016
G7	45.3	43.4	40.7	42.9	35.7
BRICS	11.5	14.8	13.2	16.0	21.2
China	4.0	6.4	4.7	7.9	12.9
US	17.7	17.4	15.7	17.0	14.7

Sources: IMF and World Bank Websites.

the G20 endeavoured to pressure the IMF into streamlining its crisis lending protocols by mitigating the stigma effect and becoming more nimble in providing liquidity in future crises.

The Enormous Privilege of the US Dollar

As things stood, however, it was the US Federal Reserve that first got off the block in providing global liquidity during the GFC, well before the IMF, through swap arrangements with major central banks to provide standby dollar funding. These swaps however were mainly for the major allies of the United States, and not for the poorer countries that continued to be dependent on multilateral and bilateral aid. One of the surprising outcomes of the GFC was nevertheless the emergence of the US Federal Reserve, the issuer of the *de facto* global reserve currency, as a major - fourth -- pillar of the Global Financial Architecture.

This global reserve currency status of the dollar gave the United States an enormous advantage in funding both external and domestic budgetary deficits, and also keep its borrowing costs low, on account of a virtually bottomless international demand for the dollar. The French Presidency attempted to get the G20 to address this enormous privilege of the US dollar in the international monetary system at the 6th Summit.

That nothing came of this is a reflection of the sobering fact that this is a status bestowed by markets. There is little that governments, regulators and the G20 can do about it.⁶

The Reformed Global Financial Architecture and Covid-19

The G20 itself was of the view that the robustness of its reinforcement of the GFA and its reforms in the area of financial regulation would be tested in the next crisis. This crisis is now upon us. The financial system has held up quite well so far, aided by a strong monetary response by central banks through lowering of rates, liquidity provision and asset purchases. But the longer the Covid-19 crisis lingers in the real sector, so will the stress on the financial system. The real test may well lie ahead. It may be recalled that the GFC emanated in the financial sector, and in the early stages there was some speculation that it might not spill over into the real sector. The Covid-19 crisis on the other hand has emanated in the real sector, and it could spill over into the financial system with a lag through growing bankruptcies.

As it did during the GFC, the US Federal Reserve has made U.S. dollars available to other central banks, so they can lend to banks that need them. In

Table 3: Multilateral Financial Institutions and the Covid-19 Crisis Response (\$ Billion)

Institution	Asia and Pacific	Europe	Middle East & Central Asia	Sub-Saharan Africa	Western Hemisphere	% of Total
IMF	1.8	6.1	14.0	16.1	63.6	65.4
WB	0.6	1.4	0.6	1.1	0.7	2.8
ADB	14.1	-	-	-	-	9.1
NDB	-	-	-	-	1.0	0.6
AfDB	-	-	-	3.0	-	1.9
AIIB	5.6	-	-	-	-	3.6
CMIM	-	-	-	-	-	0.0
EBRD	-	25.0	-	-	-	16.1
IsDB	-	-	0.7	-	-	0.4
Total	22.1	32.5	15.3	20.1	65.3	155.2
% of Total	14.0	21.0	10.0	13.0	42.0	100.0

Source: Websites of the concerned MFI.

Note: IMF: International Monetary Fund; WB: World Bank; ADB: Asian Development Bank; NDB: New Development Bank; AfDB: African Development Bank; AIIB: Asian Infrastructural Investment Bank; CMIM: Chiang Mai Initiative Multilateralization; EBRD: European Bank for Reconstruction and Development; IsDB: Islamic Development Bank.

addition to extending the maturity of its existing swap lines to central banks in Canada, England, the Eurozone, Japan, and Switzerland, and extended the maturity of those swaps, it has also extended the swaps to the central banks of Australia, Brazil, Denmark, Korea, Mexico, New Zealand, Norway, Singapore, and Sweden.

The IMF has been more nimble in providing assistance during the current crisis than what it was during the GFC, although the role of regional safety sets remains insignificant. (See Table 3) Of the roughly \$ 150 billion mobilised as emergency multilateral assistance for Covid-19 to date, about two thirds has come from the IMF. Another 25 per cent

has come from the Asian Development Bank and the European Bank for Regional Development, for Asia and poorer European countries respectively. Whereas during the GFC much of the IMF lending had gone to the European countries, this time around over 90 per cent has gone to the western hemisphere, which is worst affected by Covid-19, Sub Saharan Africa, the Middle East and Central Asia.

Both Asia and Europe now appear to be less dependent on the IMF for crisis support, the mantle having devolved on regional multilateral development banks, and in the case of the European Stability Mechanism and the European Central Bank. However, the continued

inability of Asian countries to unlock their vast foreign currency reserves by operationalising their regional financial safety net through the Chiang Mai Initiative Multilateralization (CMIM) has been the major failure of the GFA during the Covid-19 crisis.

The Covid-19 pandemic is by no means under control yet. If the crisis were to escalate, the G20 would be expected to do another rescue act of the financial system and further bolster the GFA based on the GFC template. The environment of global economic governance has however changed vastly since the early G20 Summits. The sentiment has turned sharply against globalisation in favour of economic nationalism. With their reliance on foreign trade for demand and growth, the trend growth is EMDEs has declined, along with global imbalances. Meanwhile, AEs have had a relatively stronger recovery. With these developments the G20 appears to have lost some of its sheen, importance and effectiveness in recent years. Whether the G7 can revert to its former leadership role under a new US President is arguable on account of the rise and rise of China, and the continuing impasse over its accommodation in the post-war Bretton Woods high table of global economic governance. The Chinese led AIIB has supplemented the efforts of the ADB in crisis management in Asia, and could well, along with the CMIM, become a parallel Asia-centric financial universe with a new reserve currency in the absence of such accommodation.

The G20 remains the most effective extant international institution to address challenges flowing from globalisation which willy nilly continues its inexorable march, rising nationalist sentiments notwithstanding. However,

global cooperation of the kind seen at the time of the GFC over a decade ago looks increasingly difficult in the current environment.

Conclusion

The Global Financial Architecture can be seen as a triptych of three faces, namely International Financial Markets, Bilateral and Multilateral assistance for Developing Countries, and the self-insurance mechanisms of EMDEs. The G20 played a major role in reforming and upgrading the Global Financial Architecture in the wake of the Global Crisis over a decade ago This consisted of reforming and tightening financial regulation and in enhancing global safety nets. The GFC also saw the US Federal Reserve emergence as the fourth pillar of the GFA. This architecture has held up fairly well during the current Covid-19 crisis so far. It has also shown that both Emerging Asia and Europe are no longer dependent on the Global financial safety net. This crisis however threatens to be as big, if not deeper, than the Global Financial Crisis. The real test may therefore lie ahead. Global cooperation of the kind seen at the time of the GFC over a decade ago looks increasingly difficult in the current environment, and will be tested were the Covid-19 related crisis to be protracted.

Endnotes

1. Leaders' Declaration, G20 Riyadh Summit, November 21, 2020.
2. See Sheel (2015a).
3. See Sheel (2015b).
4. See Financial Stability Board (2020).
5. See Sheel (2012).
6. See Sheel (2011).

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H.E. Saud bin Mohammed Al Sati
Ambassador of Saudi Arabia to India

The G20 summit meeting in November was unique. It was held virtually yet all the key global issues were deliberated upon by the leaders of the nations. How was it made possible by the Saudi Arabian G20 team?

As you said, the summit was unique in numerous ways. The nature of the challenges posed by the pandemic required a quick, resilient and effective approach on a global scale. G20 rose to the challenge through extensive deliberations and prompt action. The Kingdom of Saudi Arabia constantly endeavored to provide a strong leadership during these testing times and many milestones were achieved on the way. For the first time in the history of G20, two Leaders' Summits were held. More than 170 meetings were hosted by the Presidency, including 14 extraordinary ministerial meetings, 20 plus ministerial declarations agreed on and over 60 strategic outcomes & actions endorsed by G20 members. Saudi Arabia's presidency of the G20 provided unwavering support and direction

to deal with the crisis of Covid-19 pandemic. The G20 engagement groups have been working throughout the year on their specific areas to support the G20 Presidency and Member countries. There are 8 different engagement groups – such as Business 20 (B20), Science 20 (S20), Think 20 (T20) and Women 20 (W20). These groups are collectively led by civil society organisations and developed policy recommendations that were submitted to the G20 Leaders for consideration.

In the early stages of the pandemic, under the chairmanship of the Custodian of the Two Holy Mosques King Salman bin Abdulaziz Al Saud, the Extraordinary G20 Leaders' Summit was convened on March 26, 2020. The member countries committed to take all necessary health measures and sought to ensure adequate financing to contain the pandemic and protect people's lives, especially the most vulnerable. This set the tone for many meetings which were held virtually. The extensive work that has been done

throughout the year was reflected in the success of the November summit that set the foundations for a more inclusive, more resilient, and more sustainable recovery from the Covid-19 crisis.

The challenge faced by the Saudi G20 Secretariat was to organise the group's business almost entirely virtually due to lockdowns and travel restrictions. While most of the meetings, including the leaders' summit were held via video conferencing, the outcomes were momentous. The G20 committed \$11 trillion to support the global economy aiming to enable quick and effective economic recovery for all, especially the most vulnerable groups and \$21 billion towards public health requirements to combat coronavirus and agreed to protect the most vulnerable with over \$14 billion of debt relief to developing nations. The G20 in 2020 was exemplary of the power of collective efforts and resilience in times of crisis.

In a most challenging year for the globe, it was inevitable that issues about Covid-19 and larger issues of health care held centre stage. What are the salient takeaways on this issue for the G20 leadership, as the stage shifts to Italy?

Naturally, public health and access to healthcare was the most pressing challenge at hand early on in the Saudi G20 Presidency. The world was taken off guard by the impact of Covid-19 pandemic on people's lives, the global economy, supply chains and health infrastructure. There was a need to act in a swift and coordinated manner in order to minimise the repercussions of these challenges. Millions of people were affected and thousands had died at the early stages of the pandemic, the G20 had a responsibility and a role to fulfil. Under Saudi Arabia's leadership, the G20 rose to the challenge momentarily.

There was a need to figure out the best ways to protect people against the spread of the pandemic by ensuring adequate financing and adopting preventive and protective measures to be adhered to by the global community. Consequently, the G20 nations pledged \$21 billion towards public health requirements to combat coronavirus. The Kingdom joined international organisations and global partners to launch the Access to Covid-19 Tools (ACT) Accelerator. Saudi Arabia co-led the Global Coronavirus Pledging Event to meet the global need for developing and distributing vaccines and diagnostic tools and contributed \$500 million for that purpose.

The coronavirus pandemic has indeed revealed vulnerabilities in the response of the public health systems globally. But it has also presented an opportunity to enhance communication on improving and modernising our public health systems to cater to any immediate needs in the future. The Italian Prime Minister Giuseppe Conte has continued the momentum and vision of the G20 – 2020 Presidency by deciding to focus on cooperation to benefit people, planet and prosperity. At the heart of this vision, is significantly improving global public health systems. We are certain that the G20 will continue on the path of multilateralism and consensus to achieve this vision.

Equitable distribution and accessibility of vaccines is another issue that will continue to take center stage. The G20 leadership strived to achieve consensus between developed nations and poorer nations to ensure that the vaccine is accessible by the most vulnerable too. Most importantly, the pandemic has demonstrated that international cooperation is the optimal way to overcome crises.

You have earlier remarked that Saudi Arabia has engaged with a host of stakeholders including businesses and think tanks across the globe to come up with strong policy solutions for the G20 member nations and beyond to deal with the massive socio-economic disruptions caused by the pandemic, could you please elaborate on this?

The achievements of the Saudi G20 Presidency during 2020 has been a result of cooperation and collaboration with different stakeholders including businesses, think tanks and G20 working groups such as B20, L20, and W20 among many others. Saudi G20 Presidency's decision to collaborate with experts from think tanks, academia, private sector and business enhanced the final outcomes of ministerial level meetings and the G20 Leaders' Summit.

The inception meeting of the G20 EMPOWER Group - Empowerment and Progression of Women's Economic Representation was organised under the Saudi Presidency. The G20 Leaders identified that the coronavirus pandemic is disproportionately impacting the lives of women, significantly reducing their access to opportunities. Hence, there was an urgent need to initiate the working of the EMPOWER Group, as it was tasked to advocate for the advancement of women working in the private sector in order to reduce the gap in labor force participation between men and women. The activities led by the EMPOWER Group were welcomed by the G20 Leaders' Summit in November 2020.

Given the extent of socio - economic disruptions caused by Covid-19, Business 20 working group for international cooperation on financial and economic issues had a vital mandate. B20 initiated discussions and actions to fulfill its mandate. B20 understood that there was

a need to increase access to education and employment. Thus, partnering with other G20 working groups such as L20, T20 and W20, they called on G20 Leaders to take the lead in coordinating international efforts aimed at achieving collaborative reforms in education and employment. B20 also envisaged a second wave of the coronavirus and laid out a six point plan designed to tackle the pandemic and created a foundation to address future resurgence of the virus. The B20 Summit was held on October 26 - 27 to deliberate on formulating key policy recommendations. Prominent participants in the discussion included stakeholders such as the Saudi B20 Chair, Yousef Abdullah Al-Benyani, former UK Prime Minister Gordon Brown, president of the European Investment Bank Dr. Werner Hoyer, Indonesian finance minister Sri Mulyani Indrawati, IMF president Kristalina Georgieva, Saudi Aramco CEO Amin Nasser and many others.

T20 or Think20, serving as the bank of ideas of the G20, raised the bar to address the most concerning problems this year. The engagement group presented 32 different recommendations before the G20 Leaders' Summit. They called for increased cooperation to limit losses, stressed the importance of boosting the public health sector and to fix the global financial security network.

The Global Solutions Summit led by Think 20 members to address key policy challenges facing G20 was organised virtually. The platform saw 220 speakers and over 5000 digital participants. The Digital Global Solutions Summit 2020 centered around core sessions that contributed to the agenda of the G20 by addressing the Task Force areas plus an additional area dealing with policy in response to the Covid-19 pandemic.

Some of the speakers included notable public policy researchers from leading universities, government, civil society bodies and think tanks.

Under the Saudi G20 Presidency, a new non-official engagement group termed Values 20 (V20) was initiated to bring policymakers together to create people – centered public policy solutions based on values and ethics. The V20 Summit was hosted on November 9 and 10 emphasized on the importance of values to human wellbeing at an individual level as well as at a global level.

Debt reduction of nations in distress was a key theme in the final declaration issued at the end of the summit. To what extent has the role of civil society, particularly in the parallel T20 and B20 deliberations helped in bringing up awareness about the challenges of debt reduction?

The B20 has been pivotal in G20's work, especially in the face of the severe economic downturn caused by the Covid-19 pandemic. It has worked with the G20 Presidency to get ahead of the economic hardships caused by the pandemic. With the theme 'transforming for inclusive growth', which is particularly important given how global inequalities have been exacerbated by the health crisis, six task forces of the B20 dealt with issues surrounding digitalisation, sustainable energy and climate, finance and infrastructure, the future of work and education, integrity and compliance, and trade and investment.

The B20 engaged with more than 650 business leaders across the G20 countries and beyond through its six task forces and the Women in Business Action Council to ensure an inclusive and action-oriented process. Policy

recommendations were developed with themes that drive sustainable and equitable growth, aligning with the UN Sustainable Development Goals, empowering women across all sectors, and ensuring a favorable environment for small and medium-sized enterprises and entrepreneurs to thrive.

The T20 on the other hand deliberated on the essential role of the private sector in providing long-term finance and the innovative frameworks that could help bridge infrastructure-investment gaps within and among countries. The T20 also stressed the need to prioritise innovative frameworks to bridge the infrastructure-investment gap, promoting infrastructure investments that are resilient, sustainable and can adjust to climate effects, technology innovation for smart cities, and challenges of rapid urbanisation.

The Saudi Arabian presidency of G20 was based on the theme, namely, realising opportunities of the 21st century for all. The three pillars of the theme included a) empowering people, b) safeguarding the planet and c) shaping new frontiers. What has been the extent of realisation by the collective membership of G20 about these issues?

The G20 final statement has reflected the achievements of the summit in all the main pillars including: empowering people, safeguarding the planet and shaping new frontiers under the theme of 'Realising opportunities of the 21st century for all'.

In the area of climate change, the G20 has established the Circular Carbon Economy (CCE) Platform, a tool towards affordable, reliable and secure energy. The CCE approach can help address crucial issues facing the world in achieving universal access to energy.

Sustainable development has been at the core of all policy initiatives with a view to safeguard the planet. A major step in this direction is the establishment of the Global Coral Reef R&D Accelerator Platform to accelerate scientific knowledge and technology development in support of coral reef survival, conservation, resilience, adaptation and restoration and regrading them amongst the most valuable ecosystems on earth.

In the area of trade, enhancing global trade to accelerate economic recovery with a transparent system and a strong leadership was a priority for the presidency in 2020. Saudi Arabia has spearheaded the effort to reform the World Trade Organization (WTO) through the Riyadh Initiative on the Future of the WTO, an initiative to take crucial steps towards reforming the WTO and the multilateral trading system and ensuring fair, free, and sustainable economic development through multilateral cooperation. Under Saudi Arabia's leadership, the G20 has envisioned a global economic recovery plan that safeguards the planet, empowers people and shapes a better world by providing equal opportunities to youth, women and SMEs including via domestic capital markets. The focus is on promoting smarter infrastructure investment with the private sector, developing a further emergency response for low-income developing countries, accelerating the

access to digital opportunities and undertaking bold strategies to share the benefits of innovation and technological advancement.

Empowerment of women and youth by promoting access to financial opportunities was a significant goal set by the G20 presidency. Instrumental in this was the W20, a specific group of the G20 focused on fostering gender equality and women's economic empowerment. The Private Sector Alliance for the Empowerment and Progression of Women's Economic Representation (EMPOWER), a forum constituted by G20, developed an action plan to identify key focus areas and conduct global research to advocate for the advancement of women in leadership positions in the private sector.

However, healthcare was a priority throughout Saudi Arabia's presidency of G20. The use of innovation and technological advancements such as deploying artificial intelligence to improve health outcomes and the education system has been at the center of discussions. The G20 committed \$21 billion in support of global health systems, search for a vaccine and supporting international efforts to overcome the pandemic. I believe these important outcomes will have a well felt and long lasting impact on the global economy and multilateral cooperation in various fields.

The Saudi Presidency 2020: Key Takeaways

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The Saudi G20 Presidency was inaugurated in a virtual meeting on 1st December, 2019 under exceptional circumstances when the whole world was coming into the grip of what turned out to be one of the worst calamities of a century. As the Covid-19 pandemic unfolded itself the global economy collapsed with the IMF predicting sharp contraction of global economic activity by 4.4 per cent in 2020. The Saudi Presidency had set an ambitious theme of its presidency in the form of 'Realising Opportunities of the 21st Century for All' with three pillars: empowering people, safeguarding the planet, and shaping new frontiers. In order to confront the global threat of Covid-19, G20 leaders met twice in virtual mode during the Saudi Arabia Presidency, 2020 to work together to address healthcare, economic, and social impacts of the pandemic. On 26 March, 2020 an extraordinary G20 Leader's Virtual Summit was held to coordinate the world's economic response to the pandemic, safeguard the global economy through collective G20 action, address the international trade disruptions and restore global supply chain, and enhance global cooperation to strengthen global financial safety nets.

The Saudi presidency summit of leaders was held in virtual mode on 21-22 November, 2020 in Riyadh, where the

leaders vowed to take coordinated global action, empower people, safeguard the planet for more prosperous, secure, sustainable, balanced and inclusive global growth. The impact of the pandemic laid out a litany of challenges and made it even more urgent to ensure an inclusive recovery. In this regard, the Saudi presidency prioritised provision of the necessary resources to those at the frontline of the battle against Covid-19, as G20 members pledged to contribute 'more than \$21 billion to support funding needs' for the development of diagnostic tools, vaccines and effective therapeutics. The Riyadh Presidency ensures to work with the motto of no one is left behind and ensure that the world is better prepared for any future pandemic. Thus, The Saudi presidency agreed to advancing global preparedness, equitable access to Covid-19 vaccine, prevention, detection and facilitating higher pandemic-related spending. Also, the Saudi G20 Presidency proposed a new initiative to enhance the access to pandemic tools through R&D and skilling.

The Saudi presidency took extraordinary measures to support the global economy and injected over \$11 trillion to support businesses and protect individuals as an unprecedented G20 economic stimulus. The Summit concluded with reaffirmation of exchange

rate commitments, implementation of the Debt Service Suspension Initiatives (DSSI) to suspend official bilateral debt service payments to DSSI –eligible countries till June 2021, endorsed the ‘Common Framework for Debt Treatments beyond the DSSI’ and encouraged collective efforts from multilateral development banks (MDBs) in support of DSSI. As per the record on 13 November 2020, 46 countries have requested to avail the benefits of DSSI which amount to an estimated¹ of \$5.7 billion of debt service deferral. The Saudi Presidency recognises the role of extensive immunisation as global public good, collaborative efforts are put in the form of Access to Covid-19 Tools Accelerator (ACT-A), voluntary licensing of intellectual property and COVAX Facilities.

The Riyadh Initiative on ‘the Future of the WTO’ to reaffirm the objectives and foundational principles of multilateral trading system is a major contribution of the presidency. The Saudi presidency endorsed the ‘Circular Carbon Economy Platform’ with its 4Rs framework to reduce carbon emission and committed to safeguard our planet and build more

environment friendly, sustainable and inclusive economic growth through ensuring access to cleaner, more sustainable, and affordable energy. For speedy recovery and resilience, the Riyadh presidency launched ‘G20 Riyadh InfraTech Agenda’ to promote the use of technology in infrastructure and quality infrastructure investments for the delivery of better social, economic and environmental outcomes. To prevent coral reef and environmental degradation, for conserving and for sustainable use and restoration of biodiversity, the Saudi Presidency launched a new initiative on ‘Global Coral Reef R&D Accelerator Platform’ to prevent, halt and reverse land degradation. Further, the 15th G20 Summit acknowledged and reaffirmed the importance of international cooperation on various socio-economic issues to build a resilient, inclusive and sustainable society.

Endnote

1. Leader’s Declaration G20 Riyadh Summit November 21-22, 2020

Italian G20 Presidency: Focus Areas

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Italy has assumed the presidency of the Group of 20 (for the year 2021) during a virtual meeting held on 1st December, 2020. A number of institutional meetings, high level policy dialogues and stakeholder gatherings have been lined up which will culminate in the meeting of Heads of State/Government, in the form of Leaders' Summit on 30th and 31st October, 2021 in Rome. Italian Prime Minister Giuseppe Conte pledged to provide the necessary responses over global challenges and build a better world in order to hand over our children a better planet. Further, over a video message, Prime Minister Conte announced that the three central pillars of the agenda of the Italian Presidency are *people, planet and prosperity*. Given the dust of Covid-19, Italian presidency proposes to facilitate the process of building a new global economy and provide necessary response to the global challenges ahead. Also, the Italian leader assured to take a swift international response for ensuring equality, sustainability and inclusiveness for all. Given the current situation of the pandemic, equal access to diagnostics, therapeutics and vaccines would be one of the priorities, while building up a more resilient society. The Rome presidency will focus¹ on effort towards combating climate change, transition to

a carbon-neutral future, use of clean and efficient technologies, and carry forward the take away from Saudi Presidency on 'circular economy'. Other focus areas of the Italian presidency would be reducing inequalities, empowering women, creating jobs, emphasizing on social protection, food security, bridging the gap of digital divide, harnessing the potential of technology, digitalisation as an opportunity for all, improving productivity, and protecting the most vulnerable with the motto of leaving no one behind.

In one of the interviews, Ambassador Pietro Benassi, diplomatic advisor to the Italian Prime Minister, and the G20 Sherpa stated² that gender issues and sustainable development across the African continent will be at the center of the Italian G20 agenda. During the official transition meeting from Saudi Arabia to Italy, Paolo Magri, the chair of the T20 process for Italy, highlighted the importance of multilateralism and global coordination for a prosperous future.

Endnote

1. G20 Italian Presidency Official Website <https://www.g20.org/>
2. Italian G20 presidency will prioritize population, planet, prosperity. (2020, April). Donor Tracker.

IMPORTANT NEWS

G20 Leaders Unite To Address 15th Summit to Restore Growth

The G20 Summit hosted by Saudi Arabia on 21-22 November 2020 on a virtual platform was first of its kind and focused on collective effort to shape a better world by restoring growth, promoting a strong and inclusive recovery and sharing the benefits of innovation and technological advances to empower people and protect our planet. Various countries and organisations were brought together via this forum so as to aid in achieving an inclusive, sustainable and resilient future. The Summit also emphasized on issues such as climate change, WTO reform, taxation of the digital economy and support to low income countries. The G20 has adopted a people-centric approach to sail through this crisis and it can be seen how constructive policy discussions among all stakeholders lead to equal opportunities for all.

Source: "G20 Summit: G20 leaders united to address major global pandemic and economic challenges", European Commission, 22nd November, 2020, available at <https://ec.europa.eu/commission/presscorner/detail/en/IP_20_2189>

"Legacy: Saudi G20 Presidency to Restore Growth with a People-Centered Agenda", Riyadh Summit, 22nd November, 2020, available at <https://g20.org/en/media/Documents/Legacy%20Saudi%20G20%20Presidency%20to%20Restore%20Growth%20with%20a%20People%20Centered%20Agenda_EN.pdf>

"G20 Leaders Unite To Enhance Pandemic Preparedness", Riyadh Summit, 22nd November, 2020, available at <https://g20.org/en/media/Documents/G20%20Leaders%20Unite%20To%20Enhance%20Pandemic%20Preparedness_EN.pdf>

New Global Urban Resilience Fund by Urban 20

On 30th October, 2020, U20 Special Working Group (SWG) on Covid-19, which was set up by the U20 Chair city, Riyadh, together with co-chair cities Rome and Buenos Aires had taken the lead to develop a Global Urban Resilience Fund to build cities which are more resilient and agile. In the post-Covid-19 world, cities cannot tackle current challenges and it requires support from states as well as necessary to pool resources and create new tools. The President of the Royal Commission for Riyadh City Fahd Al-Rasheed stated that 'the fund represents an intelligent way to meet these needs' and urged the next U20 Italian Presidency to carry this forward and make it more concrete.

Source: "G20 Launches New Global Urban Resilience Fund", Albawaba Business, 1st November, 2020, available at <<https://www.albawaba.com/business/g20-launches-new-global-urban-resilience-fund-1389983>>

Prime Minister's Remark on G20 Riyadh Summit 2020

The Prime Minister of India participated in the 15th G20 Summit organised by Saudi Arabia in a virtual platform. The Prime Minister, Shri Narendra Modi termed the Covid-19 pandemic as an important turning point in the history of humanity. He embarked upon a wide range of issues including climate change, digital divide, re-skilling and multi-skilling of the workforce. He underscored the urgency to preserve our planet, value our human resources and called for greater transparency in governance systems. Based on this, he also initiated a new Global Index for the Post-Corona World that comprises four key elements, creation of a vast Talent Pool, ensuring that technology reaches all segments of the society, transparency in systems of governance and dealing with Mother Earth with a spirit of Trusteeship. He also emphasized on climate change and stressed on the need for collaborative and integrated action to tackle the crises of climate change and highlighted India's efforts towards adoption of low-carbon and climate-resilient development practices. He shared India's ambition of restoring 26 million hectares of degraded land by 2030 and achieving the goal of 450 GigaWatts of renewable energy by 2030. He said that India is not only meeting Paris Agreement targets, but will be exceeding them. He went on to add that in order to align actions with the vision of safeguarding our planet, it is important to focus on the human dignity of workers.

Source: "15th G20 Leaders' Summit", Prime Minister's Office, PIB, Delhi, 21st November, 2020, available at < <https://pib.gov.in/PressReleaseIframePage.aspx?PRID=1674827> >

"15th G20 Leaders' Summit", Prime Minister's Office, PIB, Delhi, 22nd November, 2020, available at < <https://pib.gov.in/PressReleasePage.aspx?PRID=1674987> >

Cultural Presence at Saudi G20 Presidency

The Saudi Ministry of Culture and G20 Saudi Secretariat as part of the International Conferences Program honoring the G20 Saudi presidency organised the virtual meeting under the theme "The rise of the cultural economy: A new paradigm", in order to exchange ideas and experiences to contribute to the growth of the Global Cultural Economy. This is the first cultural ministers meeting at a summit on the side lines of the G20. The ministers of Culture from G20 countries discussed heritage preservation, sustainable development and culture as catalysts for economic growth, as reported by UNESCO that the cultural economy employs 30 million people and generates revenue of \$2.3 trillion.

Source: "G20 ministers vow to back \$2.3tr cultural economy", Arab News, 5th November, 2020, available at < <https://www.arabnews.com/node/1758716/saudi-arabia> >

"G20 countries discuss cultural issues led by Saudi Arabia", Alkhaleej Today, 3rd November, 2020, available at < <http://alkhaleejtoday.co/saudi-arabia/5268186/G20-countries-discuss-cultural-issues-led-by-Saudi-Arabia-.html> >

Common Debt Relief Framework by G20 to Poorer Countries

The G20 leaders have agreed for the first time on a common framework for restructuring the government debt to some poorer countries, who are hardest hit by the fallout of the coronavirus pandemic. The Finance Ministers of G20 agreed that more help was needed than a current temporary debt freeze and joint agreement have gone further by including middle-income countries and forcing private investors to accept cancellations. The G20 agreed to suspend \$14 billion in debt payments for an additional six months (till June 2021) to support 73 of the world's neediest countries. In dire need of doctors and medical equipment, developing countries now have more to spend on healthcare and emergency stimulus programs. The IMF Managing Director Kristalina Georgieva stated that 'Africa alone faces a financial gap of \$345 billion through 2023 to deal with the economic impact of the pandemic'.

Source: "G20 agrees on framework for more debt relief amid Covid-19", CNA, 13th November, 2020, available at < <https://www.channelnewsasia.com/news/world/g20-agrees-on-framework-for-more-debt-relief-amid-covid-19-13539708> >
"G20 strikes historic debt pact to help poorer states hit by Covid", The Times of India, 13th November, 2020, available at < <https://timesofindia.indiatimes.com/business/international-business/g20-strikes-historic-debt-pact-to-help-poorer-states-hit-by-covid/articleshow/79215068.cms>>

Zambia's Debt Default Fuels Fear in Africa

Zambia became the first country in Africa to default on its borrowings as debt relief came too late for them. The G20 Finance ministers after the approval of the common framework said that debt treatments require case-by-case attention and requested all official bilateral creditors should implement this initiative fully and in a transparent manner. However, G20 finance minister failed to sort out Zambia's case when they failed to pay \$42.5 million coupon payment on its bonds in October. Zambia's finance minister, Bwalya Ng'andu said that 'more transparency was required over an estimated \$3 billion debt to China, but Chinese banks refused to sign the necessary confidentiality agreements'. With the given incidence, neighbouring countries are rattling too with 'debt tsunami' as global indebtedness topped \$277trillion in the third quarter of this year as per a study by the Institute of International Finance.

Source: "China-Africa relations: Zambia on way to debt default as G20 relief plan comes too late", South China Morning Post, 16th November, 2020, available at <<https://www.scmp.com/news/china/diplomacy/article/3109922/china-africa-relations-zambia-way-debt-default-g20-relief-plan>>
"Zambia's default shows new approach needed for Chinese debt", The Africa Report, 17th November, 2020, available at < <https://www.theafricareport.com/50798/zambias-default-shows-new-approach-needed-for-chinese-debt/>>
"Zambia's default fuels fears of African 'debt tsunami' as Covid impact bites", The Guardian, 25th November, 2020, available at < <https://www.theguardian.com/global-development/2020/nov/25/zambias-default-fuels-fears-of-african-debt-tsunami-as-covid-impact-bites>>

About G20 Digest

Since G20 Summits are watched worldwide with interest and suspicion, future presidencies of G20 would be important, at least for the developing countries. Unlike the first few summits, Annual leaders' summits of G20 now encapsulate a vast array of issues beyond the financial sector; each has the potential to impact the world in a substantial measure. Each presidency has thrown new issues along with the common ones that bind the grouping together. In view of the diversity of issues taken up in G20 platform, it is imperative to study and assess current functioning of G20 and its future roadmap. RIS plans to begin a journey to this process through this publication in order to gather the views, opinions and scholarly research. In successive issues of 'G20 Digest' we shall bring the thought leaders in various sectors to comment on each of the themes through articles, interviews and commentaries, besides offering a snapshot of current news about the G20 summits and related themes. The Digest will thus hopefully become an essential component of the G20 Delhi Agenda in all its multifarious aspects. Naturally, comments from our readers will be most valuable to guide this publication on its journey.

Guidelines for Submissions

- *G20 Digest* is a peer-reviewed journal dedicated to the issues and subject matters relating to G20 and its broader linkages to global governance, functioning of multilateral institutions, role of emerging markets, and larger development interests of the people.
- Scholarly articles on various topics of interest to G20 are invited from academics, policy makers, diplomats, practitioners and students. The articles may cover the whole range of issues including role and effectiveness of G20, functioning of G20, coverage of sectors, G20 and global governance, G20 and global financial stability, and similar topics.
- Original manuscripts not exceeding 4000 words prepared in MS Word using double space with a 100 word abstract and three key words may be sent to pdash@ris.org.in.
- The submitted articles must follow APA referencing style.
- All numbers below 10 should be spelt out in words such as 'five' 'eight', etc.
- Percentage should be marked as 'per cent', not '%'.
- For numeric expressions, use international units such as 'thousands', 'millions', 'billions', not 'lakh' and 'crore'.
- For time periods, use the format '2000-2008', not '2000-08'.
- Mere submission of an article does not guarantee its publication in the journal.



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