

G20 Framework for Strong, Sustainable, Balanced and Inclusive Growth: German Presidency Outcomes and Expectations of Argentinian Presidency

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Outline

- Framework for strong, sustainable and balanced growth: A brief history
- The German Presidency's priorities concerning the Framework
- Continuity elements of work on Framework in 2017
- Discussion of outcomes and expectations of the Argentinian Presidency

Framework: A Brief Timeline (1)

□ Pittsburgh, 2009, Leaders' Statement:

“...we are launching a Framework for Strong, Sustainable, and Balanced Growth. To put in place this framework, we commit to develop a process whereby we set out our objectives, put forward policies to achieve these objectives, and together assess our progress... In our Framework for Strong, Sustainable and Balanced Growth, we will:

- implement responsible fiscal policies, attentive to short-term flexibility considerations and longer-run sustainability requirements.
- strengthen financial supervision to prevent the re-emergence in the financial system of excess credit growth and excess leverage and undertake macro prudential and regulatory policies to help prevent credit and asset price cycles from becoming forces of destabilization.
- promote more balanced current accounts and support open trade and investment to advance global prosperity and growth sustainability, while actively rejecting protectionist measures.
- undertake monetary policies consistent with price stability in the context of market oriented exchange rates that reflect underlying economic fundamentals.
- undertake structural reforms to increase our potential growth rates and, where needed, improve social safety nets.
- promote balanced and sustainable economic development in order to narrow development imbalances and reduce poverty”

Framework: A Brief Timeline (2)

Framework priorities changed according to global economic conjuncture and the Presidency's views:

- ❑ 2010, Toronto: Focus shifts from fiscal stimulus to fiscal consolidation
- ❑ 2011, Cannes: Leaders endorse indicators to track global imbalances
- ❑ 2012, Los Cabos: First detailed country-specific structural reform action plans adopted
- ❑ 2013, St Petersburg: Focus on fiscal stability reinforced, fiscal strategies adopted
- ❑ 2014, Brisbane: Key moment in the Framework history – fiscal, monetary and structural commitments united in Comprehensive Growth Strategies, with G20 vowing that their implementation would lift the collective GDP by 2 p.p. by 2018 (“2-in-5 goal”); monitoring mechanisms established involving both members and IOs
- ❑ 2015, Antalya: Turkey urges members to include measures on fiscal composition and inclusiveness in the Growth Strategies; Investment Strategies unveiled
- ❑ 2016, Hangzhou: Work on structural reforms reinvigorated through Enhanced Structural Reforms Agenda (ESRA)

German Presidency's Priorities Concerning Framework: Resilience (1)

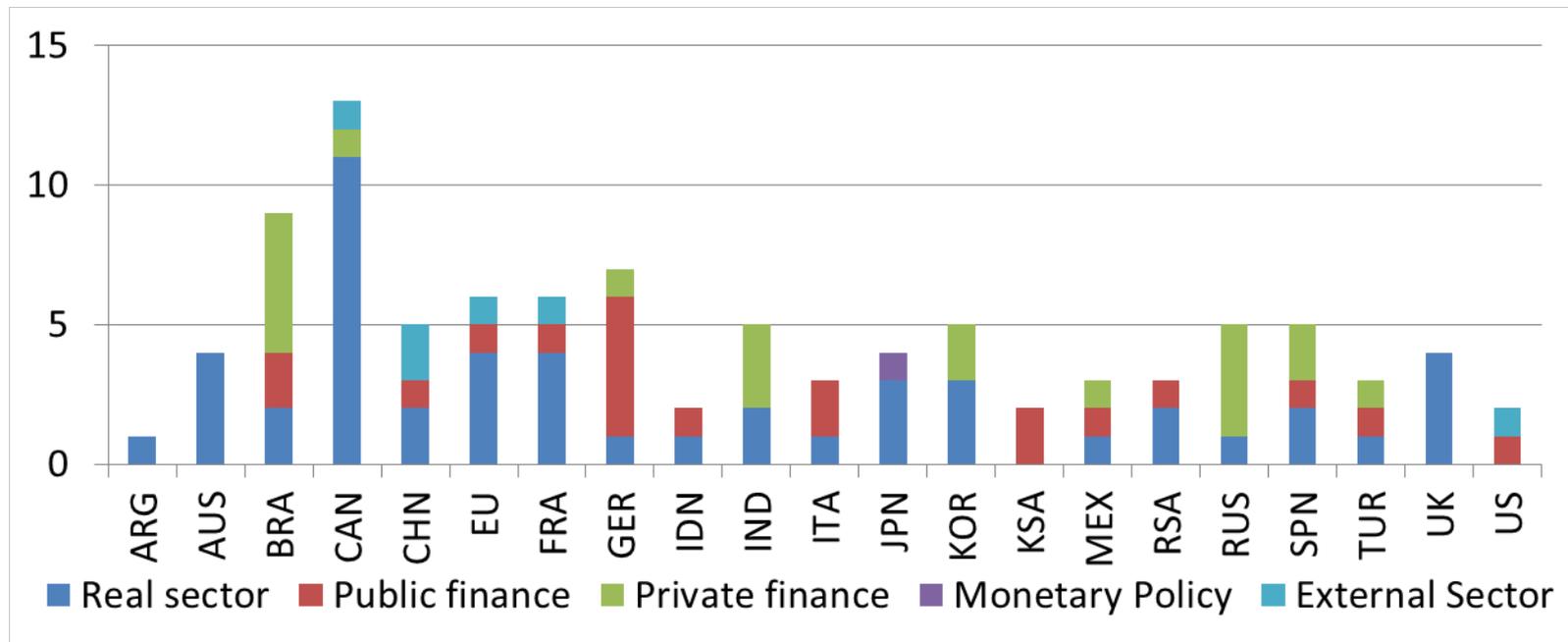
Germany focused on the **resilience** agenda. Resilience means 1) ability to achieve and sustain growth despite risks and structural challenges; 2) reducing vulnerabilities, including by preventing accumulation of imbalances; 3) capacity to absorb major shocks and resume growth in their aftermath.

Outcomes:

- G20 Finance Ministers and Central Bank governors endorsed a set of 12 resilience principles (covering real sector, public finance, private finance, monetary policy, and external sector) and 43 key principle components. The Presidency encouraged members to utilize them when formulating new measures supporting resilience (including measures to include in the adjusted 2017 Growth Strategies).

German Presidency's Priorities Concerning Framework: Resilience (2)

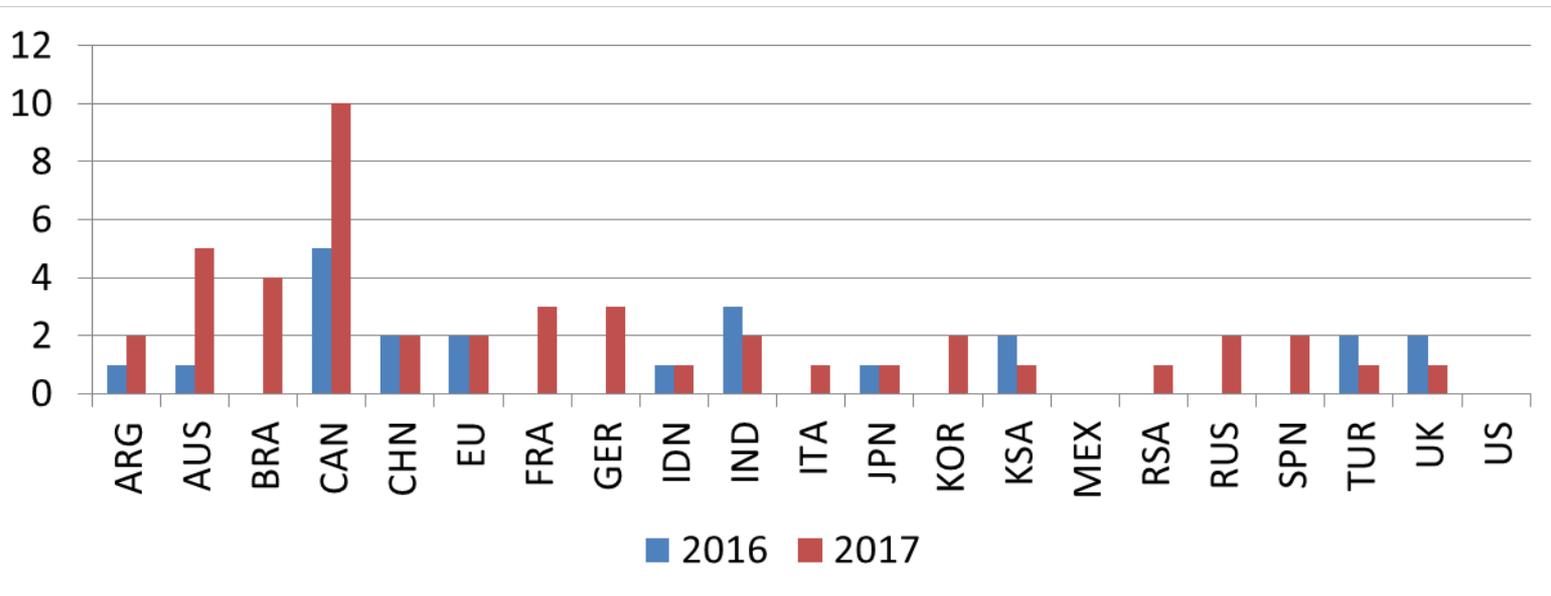
- In fact, members introduced almost 100 new measures that correspond to resilience principles in their adjusted Growth Strategies



German Presidency's Priorities Concerning Framework: Inclusiveness (1)

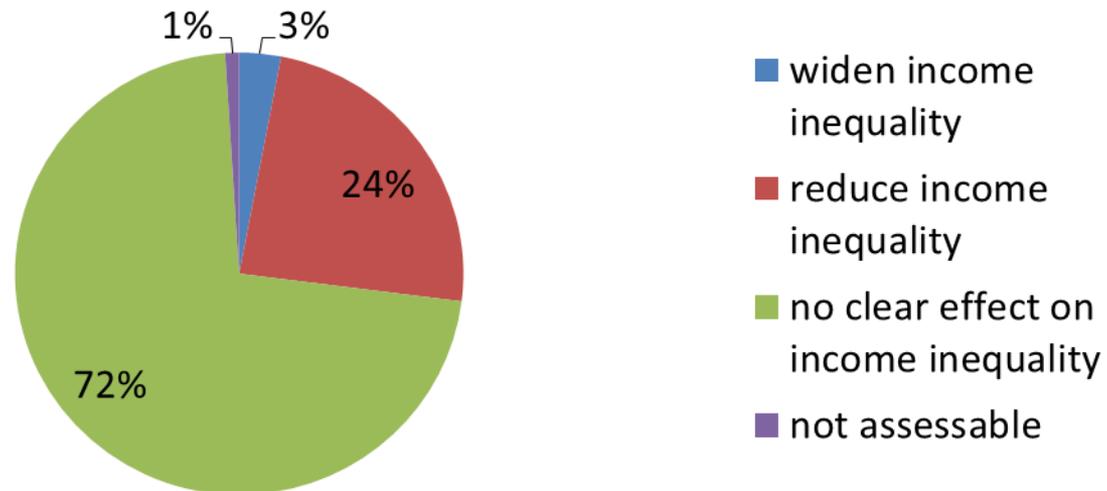
Given the political shocks of 2016, the Presidency acknowledged the importance of the principle that the fruits of economic growth must be shared by all. Framework was officially rebranded as “Framework for Strong, Sustainable, Balanced and **Inclusive** Growth”. Work on inclusiveness within Framework proceeded in two strands:

- Members were encouraged to add measures promoting inclusiveness in the Growth Strategies. In fact, the number of such measures rose by more than 2-fold.



German Presidency's Priorities Concerning Framework: Inclusiveness (2)

- The IMF and, collectively, the OECD and the World Bank, presented elaborate research on evolution of inequality, its key drivers, and possible measures to mitigate it. The IOs urged members to focus on four main areas: reducing gender gaps; promoting employment; advancing skills; strengthening tax and transfer systems. Existing measures from Growth Strategies were assessed as generally having a beneficial impact on inclusiveness



Framework and the German Presidency: Continuity Elements

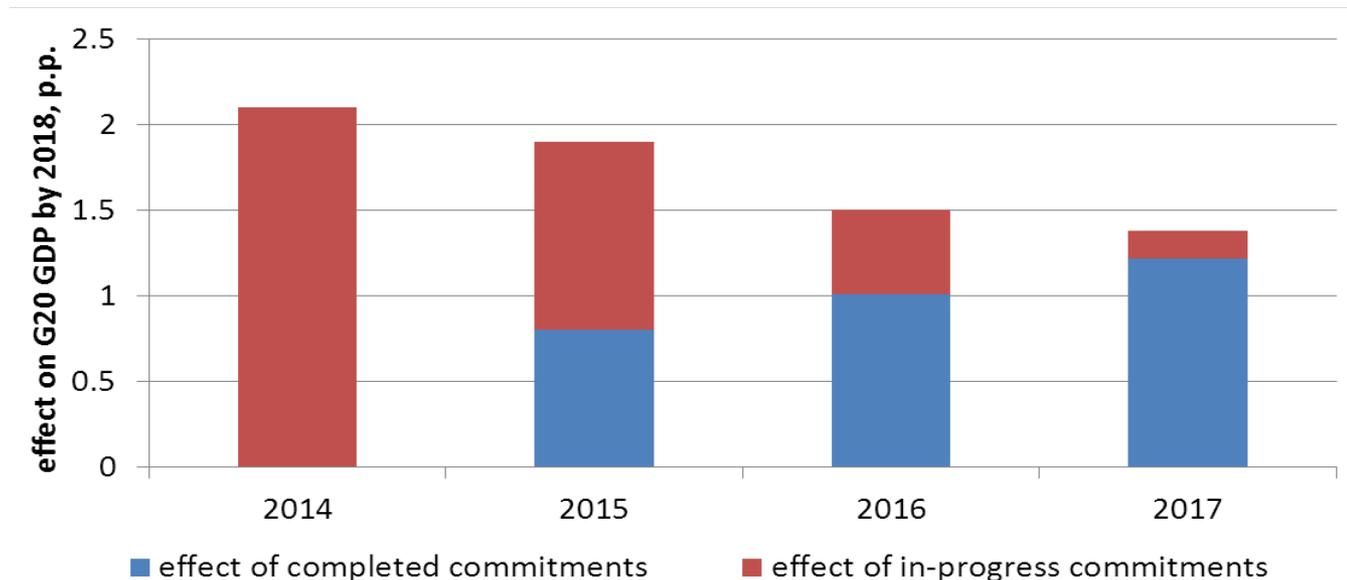
- Growth Strategies remained key deliverables, and monitoring of their implementation continued; St. Petersburg fiscal commitments have been retained
- Indicators of global imbalances are still being monitored; results to be presented by the IMF in October
- OECD produced a pilot report on ESRA in April. Progress on nine priority areas (Promoting trade and investment openness; Encouraging innovation; Promoting Competition and Enabling Environment; Improving infrastructure; Advancing labor market reform, educational attainment and skills; Improving and strengthening the financial system; Promoting fiscal reform; Enhancing environmental sustainability; Promoting inclusive growth) at the G20 level was assessed as moderate but positive, while data on policy and outcome indicators helped to track reforms on the country level

German Presidency: Discussion of Outcomes (1)

- Focus on resilience helped rebalanced the agenda away from a heavy emphasis on structural reforms in previous years. However, a short time period between adoption of Principles and formulating Growth Strategies meant that the former have likely had little real impact on the latter.
- Progress on inclusiveness is, on the whole, adequate. Given the political nature of the problem, one-size-fits-all recommendations wouldn't work. In addition, there is little scope for cross-country cooperation aside from the items like BEPS and financial inclusion, which are already on the G20 agenda
- The Presidency's encouragement of including measures on inclusiveness and resilience somewhat undermined continuity of work on Growth Strategies (in 2014-2016, the main criterion was having a tangible impact on GDP by 2018).

German Presidency: Discussion of Outcomes (2)

- Value-added of the OECD Report on ESRA for Framework in 2017 proved limited due to timing and the fact that data presentation was asynchronous with the Growth Strategy timeline (e.g. data for 2014 – start of Growth Strategy process – was made available for few indicators)
- IOs' quantitative assessment confirmed that reaching 2-in-5 goal is nearly impossible, underscoring initial over-optimistic assumptions, lack of progress on methodology, and a need for a communication strategy



Argentinian Presidency: Key Questions Concerning Framework

- Growth Strategies “expire” in 2018. Will the format be maintained? Will the Presidency push for extension and/or establishment of new quantitative goals? Will the effect of already implemented measures continue to be tracked?
- 2017 saw more emphasis on “sustainable” and “inclusive” elements of the Framework. Will the new Presidency maintain it?
- Will there be a push for stronger utilization of IOs’ inputs (OECD Technical Report on ESRA, IMF SSBG Report, inclusiveness reports etc.)?
- Will new impetus be provided to cooperation between Finance and Sherpa tracks? There is a strong need for it given the multifaceted nature of some key focus areas, such as inclusiveness.

Thank you for your attention!