

**High-level Regional Policy Dialogue on  
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challenges for building resilience, and issues for global reform"**

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*Presentation*

**Overview of G20 Agenda from Perspective of Developing  
Countries**

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# Overview of G20 Agenda from Perspective of Developing Countries

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## G20 Agenda

- 1. Framework for Strong, Sustainable and Balanced Growth**
- 2. Financial Regulation**
- 3. Reform of the International Monetary System**
- 4. Commodities**
- 5. Seoul Consensus on Development**
- 6. Climate Financing**

## 1. Framework for Growth

- Launched at Pittsburgh Summit—November 2009
- Two main pillars—Mutual Assessment Process (MAP) and External Sustainability Assessments
- Major focus since outset was on addressing external imbalances
- Emphasis on growth and development has lagged
- Context has become much more complex and difficult over the past year (sovereign debt difficulties; inadequate demand, persistent output gaps and unemployment in major advanced economies; reinforcing impact on bank fragility; volatile commodity prices and capital flows; and inflationary pressures in many emerging markets)

## 1. Framework for Growth

- Ministers and Governors agreed in February 2011 on a set of indicators for identifying persistently large imbalances requiring policy action.
  - i. Public debt and fiscal deficits and private savings rate and private debt
  - ii. External imbalance = trade balance and net investment income flows and transfers
- In April agreement was reached on the indicative guidelines against which these indicators will be assessed.
  - Combination of structural and statistical approaches.
  - Benchmarks members against indicators; against countries in similar stages of development; against the full G20; and on the basis of their national historical trends.

## 1. Framework for Growth

- Commitment to international coordination and concrete country-specific policy commitments by Cannes Summit
- Key policy areas: (a) fiscal consolidation; (b) sound monetary policy and exchange rate flexibility; (c) financial sector reform and repair; and (d) structural reforms.
- Are current problems due to failure to meet past commitments (e.g. halve fiscal deficits) or inability to sustain growth and market confidence?
- Managing short-term vs. longer-term imperatives and international coordination remains complex and difficult to achieve

## 2. Financial Regulation

- Implementation of internationally agreed measures
  - Basel II and III
  - OTC Derivatives regulation
  - Credit ratings agencies
  - Compensation standards
- Supervision of global systemically important financial institutions (SIFI)
  - FSB to make recommendations on a multi-pronged framework with more supervisory oversight, effective resolution capacities and higher loss absorbency capacity.

## 2. Financial Regulation

- Regulation of the shadow banking system
- Convergence of high-quality accounting standards
- Further work on market integrity and efficiency
- OECD Taskforce on Principles of Consumer Protection
- Global Forum initiatives on tax information exchange and non-cooperative jurisdictions
- FSB governance and resources
  - Proposals to strengthen FSB capacity, resources and governance, including its representativeness

## 2. Financial Regulation

### Issues of Concern for EMEs and Developing Countries:

- Management of foreign exchange risks
- Information sharing and supervision of local branches of foreign financial institutions
- Regulatory and supervisory capacity in developing countries
- Financial Inclusion
- Trade Finance

### 3. Reform of the IMS

- G20 Ministers and Governors agreed in Paris on a work program “aimed at improving the functioning of the IMS”
- Committed to strengthened policy coordination
  - Recognition that the IMS needs to reflect a multipolar world
- Adopt “coherent conclusions” on management of capital flows
- Measures to improve toolkit to strengthen global financial safety nets

### 3. Reform of the IMS

- Further analysis on drivers of reserve adequacy and asset diversification including through enhanced role of SDR
  - Pursuing “criteria-based path” to broaden the composition of the SDR
- Strengthen effectiveness and coherence of bilateral and multilateral IMF surveillance
- Action plan to support development of local currency bond markets

## 4. Commodities

- G20 Working Group findings and discussions:
  1. Fundamental shift in supply-demand balances has taken place
    - Supply has not kept track with higher demand. Demand due to rapid global economic integration and expansion of manufacturing sector in EMEs
  2. Domestic policy responses have had repercussions on global commodity markets
    - Ad-hoc measures, e.g. tariffs, can lead to market imbalances & add to price volatility
    - Distortions tend to lead to misallocation of resources

## 4. Commodities

3. Role of financialization has increased but role remains contentious
  - Greater investor participation enhances functioning of markets by adding depth, but large flows associated with herding behavior has contributed to commodity prices movements and price bubbles.

### Impact Assessment

- Rising commodity prices have had important macroeconomic consequences
- Impact on the global economy is mitigated by strong growth in EMEs
  - Solid fiscal positions in EMEs have mitigated high inflationary pressures (not true of low income countries on whom impact of high fuel and food prices especially severe)

## 4. Commodities

### Policy Implications:

- Supporting proper functioning of global commodity markets is a policy priority
- Potential financial stability implications warrant analysis
- Commodity market developments call for global perspective in policymaking

## 5. Seoul Consensus on Development

- At G20 Toronto Summit, Leaders committed to adding issue of development to agenda.
- Announced the establishment of the Development Working Group (DWG) to deliberate on a work plan, which was endorsed at the Summit in Seoul as the Consensus on Development.
- France, South Korea and South Africa co-chairs



## Pillars of Development

- Agreed in Seoul to establish principles for the G20 approach to development.
- Areas of focus called pillars. Nine identified:
  - Infrastructure
  - Human resource development
  - Trade, private investment and job creation
  - Food security
  - Growth with resilience
  - Financial inclusion
  - Domestic resource mobilization
  - Knowledge sharing.
- Pillars mapped under Multiyear Action Plan

- Core approach is that G20 development interventions focus on economic growth, as a compliment to the work underway in meeting the MDGs
- Not about aid pledges
- Particular emphasis on infrastructure and food security for 2011.

## 6. Climate Change

- Negotiations in 2011 have largely been “technical” – objective is to build consensus on the design of institutions / funds outlined in the Cancun Agreement.
- Establishment of **Green Climate Fund**
- Transitional Committee (TransComm) was established for the design of the Green Climate Fund. Governance, coordination and delivery will need to be agreed by the Standing Committee on Finance and presented for endorsement by COP17 in November 2011.

## Climate Finance

- UN Secretary-General established a High-level Advisory Group on Climate Change Financing (AGF) in February 2010 to study potential sources of finance for climate change.
- G20 tasked the World Bank, in coordination with other relevant organizations, to conduct analysis on mobilizing sources of financing, drawing on the AGF report.

- Ongoing difficulties:
  - Fast Start resources from donors *slow* to materialize. Largely existing ODA. Financing mostly available for mitigation, little for adaptation.
  - Agreement on global taxation improbable.
  - Debate on carbon pricing continues.
- Questions linger regarding Climate Financing
  - Accountability for and accounting for the financing: Who will fund it? Is funding voluntary? Funding must be additional to existing ODA.
  - Through what institutions and by what means and with what governance will funding be disbursed?
  - Given scale of overall needs, need for leveraging of private and multilateral flows, but this must not confuse accountability for commitments made.