

G20 LONDON SUMMIT COMMITMENTS COMPLIANCE REPORT 2009

International Organizations Research Institute of the State University –
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London G20 Summit Compliance Report is prepared by the International Organizations Research Institute of the State University – Higher School of Economics in cooperation with the National Training Foundation. The report presents the G20 member-states' and the European Union (EU)¹ compliance performance with the commitments made within the framework of the G20 summit in London on 2 April 2009.

G20 summits have rapidly established a new framework of international cooperation of the most developed economies and newly industrialized countries as a response to the challenges of the world financial and economic crisis. Therefore G20 members' efforts on reforming of the global governance architecture and strengthening international financial system, reducing financial risks, and development assistance during economic crisis attract special attention of politicians, researchers, analysts, mass media and citizens of the G20 countries.

G20 compliance study is a comprehensive methodology of monitoring and assessing the G20 members' compliance performance with the summits' commitments. It is based on the G8 compliance performance assessment methodology. The compliance report covers the period from 2 April 2009 to 7 September 2009, and is based on open sources of information.

The findings can be useful for comparing G8 and G20 effectiveness, assessing the G20 contribution to implementation of global governance functions, as well as communicating the G20 performance results to the wider public. The data received is relevant given the acute debate on legitimacy, representation and effectiveness of existing and emerging institutions of global governance.

Individual scores of G20 members are assigned on a scale from – 1 to +1, where +1 indicates full compliance with the stated commitment, -1 is reserved for those countries that fail to comply or take action that is directly opposite to the stated goal of the commitment, and 0 is awarded for partial compliance or a work in progress, initiatives that have been launched by a government but are not yet near completion and whose results can therefore not be assessed.

Hence, every G20 member receives a -1, 0 or +1 score for each commitment. These individual commitment scores for each country are summarized and divided by the number of commitments, to get a country average compliance score (in points or percents).

Detailed description of the methodology can be found on the G8 Research Group of the University of Toronto website (<http://www.g8.utoronto.ca/evaluations/index.html#method>) and at the International Organizations Research Institute website (http://www.iori.hse.ru/g8/materials/actual_subject.pdf).

5 commitments from G20 London summit documents² were selected for monitoring. Priority spheres include: ensuring fiscal sustainability and price stability, development of exit strategies from anti crisis measures; resisting protectionism and promoting global trade and investment; ensuring a fair and sustainable recovery for all; enhancing regulatory systems. The commitments were selected on the basis of balanced representation of the summit priorities, relevance of the decisions made, and measurability of compliance performance.³

The World Trade Organisation (WTO) has a mandate for carrying out the monitoring of the G20 commitments on resisting protectionism.⁴ Therefore the study did not aim to duplicate WTO work, attention was focused on cross-country comparison of measures taken.

¹ The EU, who is represented by the rotating Council presidency, is a member of the G20, thus the term 'members' includes the EU.

² Global Plan for Recovery and Reform. <http://www.g20.utoronto.ca/2009/2009communique0402.html>; Declaration on Strengthening the Financial System. <http://www.g20.utoronto.ca/2009/2009ifi.html>.

³ List of commitments can be found in Annex 1.

⁴ Report to the TPRB from the Director-General on the Financial and Economic Crisis and Trade – Related Developments. 15 July 2009. World Trade Organization. http://www.wto.org/english/news_e/news09_e/tpr_13jul09_dg_report_e.doc.

Cross-country comparability and assessments consistency and reliability were ensured through a shared understanding of the methods, the essence of the issue and the commitments made by the team of analysts. Special interpretive guidelines for monitoring and scoring were developed as a foundation for the study.⁵

Main findings

The average compliance score of the G20 member states and the EU with the London summit commitments is estimated at 23%.

Table 1. G20 members' compliance with 2009 London summit commitments

Country	Restoring growth and jobs	Resisting protectionism and promoting global trade and investment	Ensuring a fair and sustainable recovery for all (1)	Ensuring a fair and sustainable recovery for all (2)	The scope of regulation	Average score
Argentina	0	0	-1	-1	-1	-0.6
Australia	+1	+1	+1	0	0	0.6
Brazil	0	+1	+1	0	-1	0.2
Canada	+1	+1	+1	0	0	0.6
China	0	0	-1	0	-1	-0.4
France	0	+1	+1	+1	+1	0.8
Germany	+1	+1	+1	+1	0	0.8
India	-1	0	0	-1	0	-0.4
Indonesia	0	-1	0	-1	0	-0.4
Italy	0	+1	0	0	-1	0
Japan	0	0	+1	0	0	0.2
Mexico	0	0	0	0	0	0
Russia	+1	0	+1	0	0	0.4
Saudi Arabia	+1	0	0	0	0	0.2
South Africa	+1	+1	-1	0	+1	0.4
South Korea	0	+1	0	-1	0	0
Turkey	+1	+1	-1	0	0	0.2
United Kingdom	+1	+1	+1	+1	+1	1
USA	0	0	+1	0	+1	0.4
European Union	0	+1	+1	+1	0	0.6
Average score	0.35	0.50	0.30	0	0	0.23

The UK has fully complied with all commitments (compliance score – 100%), which is consistent with the country's track record of high compliance performance. This year it chaired the G20, and the «Chair effect», or tendency for higher compliance performance of the Chair country, is prominently evident, especially given the effective implementation of the domestic governance function within the summit. Italy though chairing the G8 in 2009 demonstrated low levels of compliance with both the G20 London commitments (0%) and G8 Hokkaido commitments (10%).

High levels of compliance have been demonstrated by Canada, Australia, the EU (60%), Germany and France (80%). Other G20 members: Russia and the US have compliance scores of 40%. A rather low level of compliance performance by Japan (20%) can be explained by

Report to the TPRB from the Director-General on the Financial and Economic Crisis and Trade – Related Developments. 26 March 2009. World Trade Organization.

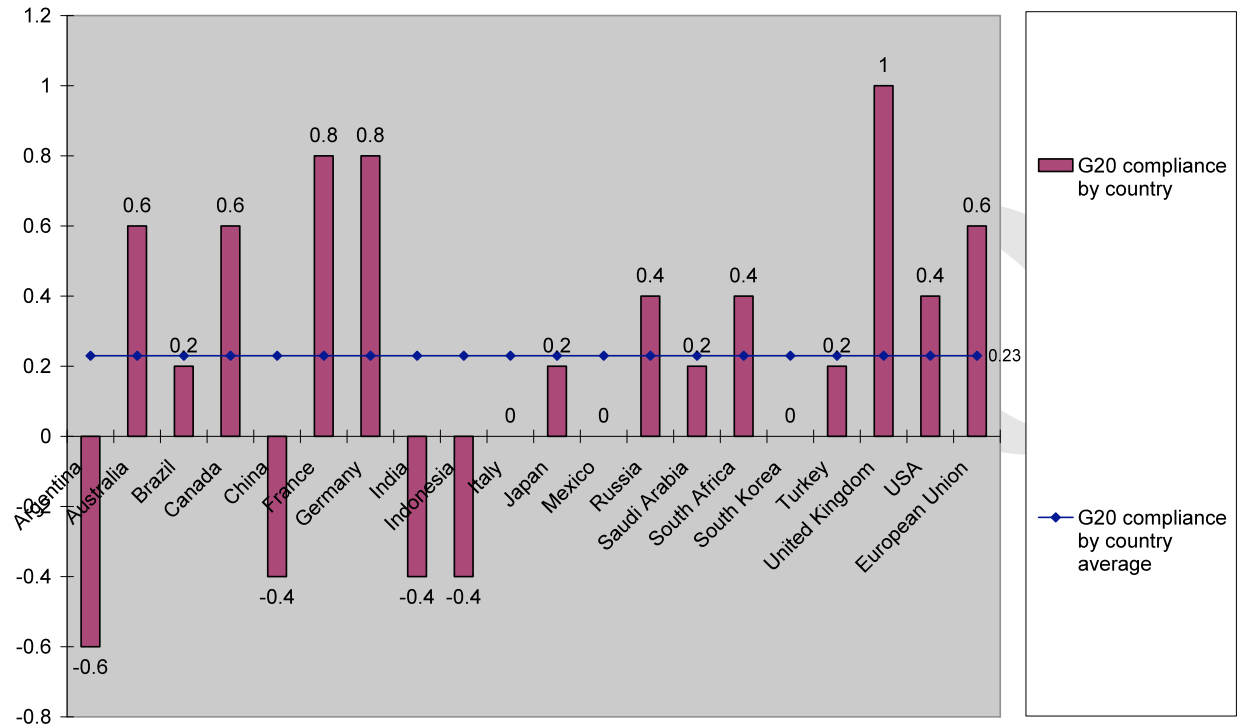
http://www.wto.org/english/news_e/news09_e/trdev_dg_report_14apr09_e.doc.

⁵ Interpretive guidelines can be accessed at the State University – Higher School of Economics International Organizations Research Institute website.

http://www.iori.hse.ru/g20/a_material/G20%20Monitoring%20Interpretive%20Guidelines.doc

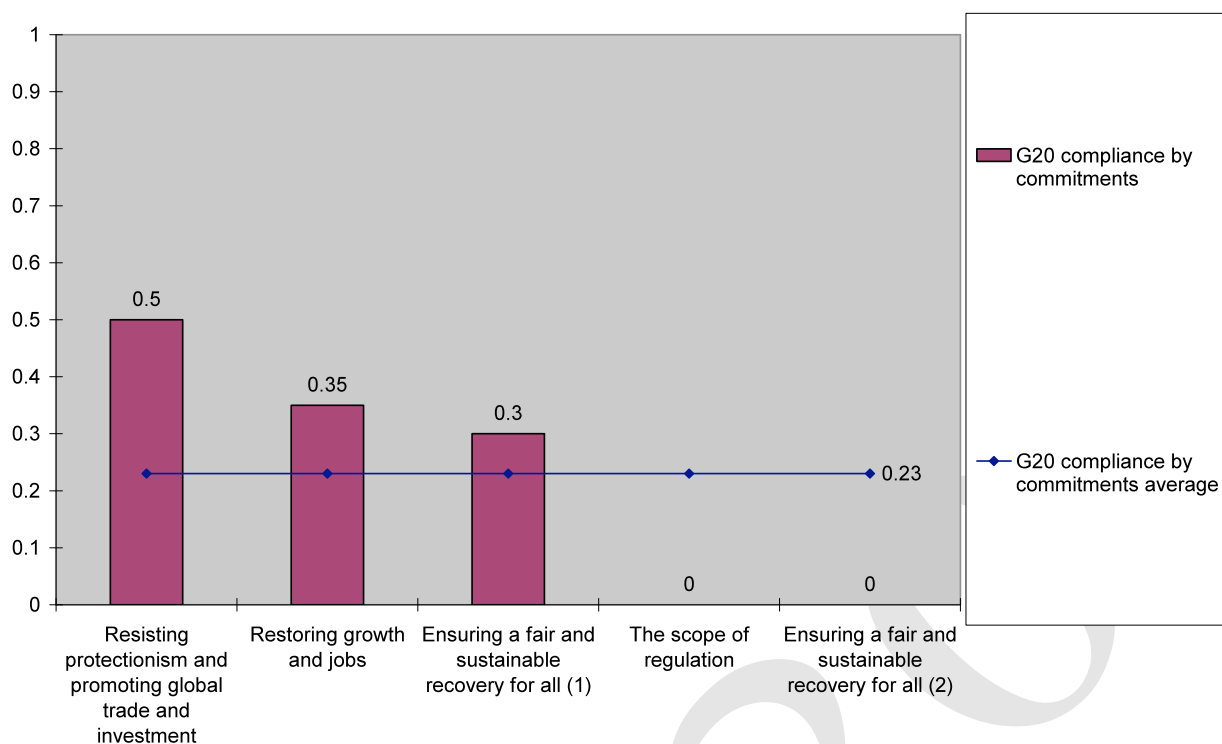
unstable political and economic situation before the parliamentary elections. South Africa has demonstrated a high level of compliance for newly industrialized countries at 40%.

Other newly industrialized G20 member countries: Brazil, Saudi Arabia and Turkey have managed 20% of compliance performance. Mexico, India, Indonesia, China have failed to comply with the London G20 summit commitments (0% and -40% respectively). The lowest level was registered for Argentina (-60%).



Picture 1. G20 members' compliance with 2009 London summit commitments

The highest level of compliance is registered on resisting protectionism and promoting global trade and investment commitment.



Picture 2. G20 compliance with 2009 London summit commitments

This commitment was first made at the Washington G20 summit and was reiterated in London. Monitoring carried out after Washington (from November 2008 to April 2009) showed the average G20 compliance performance of 58%.⁶ The new monitoring report revealed protectionist measures under taken by 9 of G20 members. The average compliance performance on this commitment is 50%. Thus though the collective decision on the priority of free trade to recover from economic crisis acts as a restraining factor, the G20 members continue to take measures aimed at protection of national producers and priority sectors of economy.

Table 2. G20 compliance with commitment on resisting protectionism and promoting global trade and investments

Country	Results of monitoring available on 2 April 2009	Results of monitoring available on 7 September 2009
Argentina	0	0
Australia	+1	+1
Brazil	+1	+1
Canada	+1	+1
China	0	0
France	0	+1
Germany	+1	+1
India	0	0
Indonesia	0	-1
Italy	+1	+1
Japan	+1	0
Mexico	+1	0
Russia	0	0
Saudi Arabia	data not available	0
South Africa	+1	+1
South Korea	data not available	+1
Turkey	data not available	+1

⁶ This score was estimated as an average of the scores of countries with available data. The information on Saudi Arabia, Turkey and South Korea was unavailable therefore they weren't awarded any score, and included into the G20 average score calculation.

United Kingdom	+1	+1
USA	0	0
European Union	+1	+1
Average score	0.58	0.50

G20 members have mainly complied with the commitment on ensuring fiscal sustainability and price stability and putting in place exit strategies from fiscal stimuli (average compliance is 35%). 9 of the G20 members have fully complied with this commitment, including its second part on exit strategies.

A rather low level of compliance performance has been registered on development assistance. The average compliance with the commitment on meeting the Millennium Development Goals (MDG) and achieving ODA pledges, including commitments on Aid for Trade, debt relief, and the Gleneagles commitments has been assessed at 30%. This level of compliance can be explained by the fact that some G20 member states have a high level of poverty and their development assistance to the least developed and developing countries is low (as a share of Gross National Income). Measures to meet MDG taken by these countries were targeted at solving their own problems, including poverty and unemployment reduction, improvement of health systems, fighting climate change.

G20 average compliance with the commitment on social protection for the poorest countries, through investing in long-term food security and through voluntary bilateral contributions to the World Bank's Vulnerability Framework has been assessed at 0%. A rather low level of compliance has been showed even by developed nations. Full compliance was demonstrated only by the UK, Germany, France and the EU, which have made contributions to the World Bank's Vulnerability Framework.

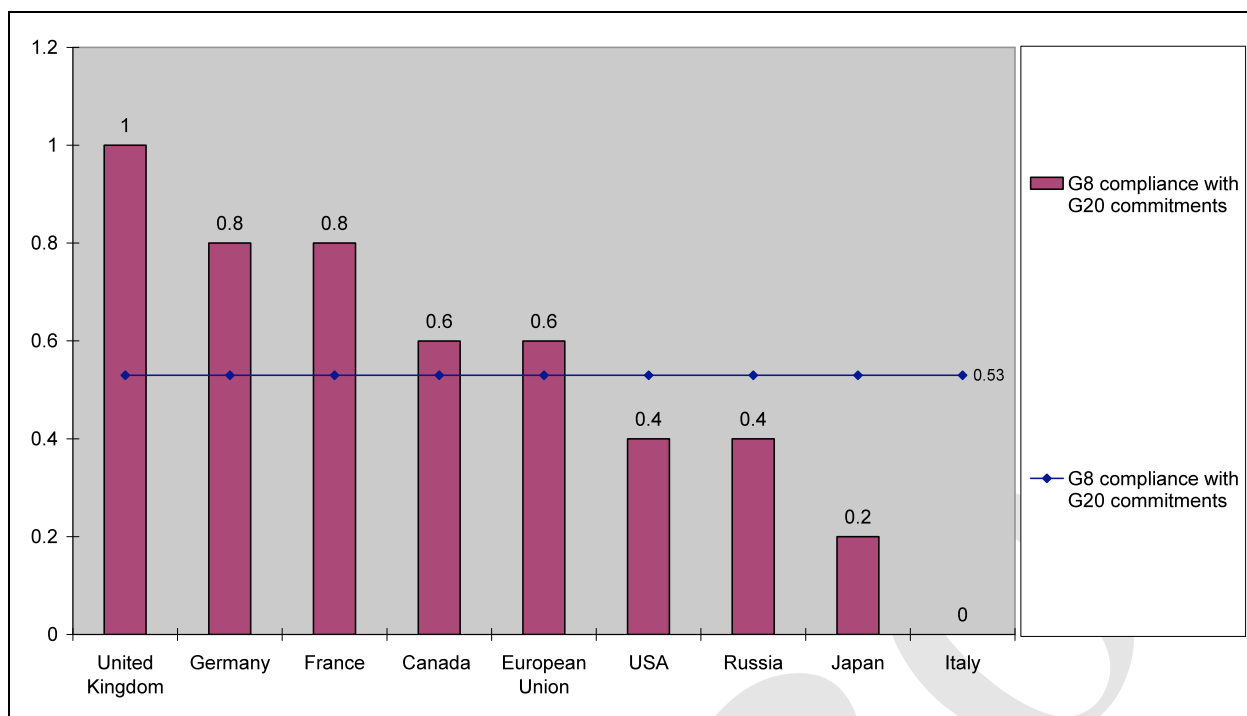
Average compliance with the commitment on amending regulatory systems and international cooperation in gathering and exchanging relevant information on financial institutions and markets amounted to 0%. Monitoring showed that many countries have taken measures to amend their national regulatory systems but failed to cooperate at the international level to share important information on financial institutions, markets, and instruments in order to assess the potential for their failure or severe stress to contribute to systemic risk.

Russia has demonstrated a stable level of compliance performance (40%), which was much higher than Russia 2008 Hokkaido-Toyako summit compliance performance (25%).

Average compliance performance for G8 members is 53%.

Table 3. The G8 members' compliance with 2009 London G20 summit commitments

Country	Restoring growth and jobs	Resisting protectionism and promoting global trade and investment	Ensuring a fair and sustainable recovery for all (1)	Ensuring a fair and sustainable recovery for all (2)	The scope of regulation	Average score
Canada	+1	+1	+1	0	0	0.6
France	0	+1	+1	+1	+1	0.8
Germany	+1	+1	+1	+1	0	0.8
Italy	0	+1	0	0	-1	0
Japan	0	0	+1	0	0	0.2
Russia	+1	0	+1	0	0	0.4
United Kingdom	+1	+1	+1	+1	+1	1.0
USA	0	0	+1	0	+1	0.4
European Union	0	+1	+1	+1	0	0.6
Average score	0.44	0.67	0.89	0.44	0.22	0.53



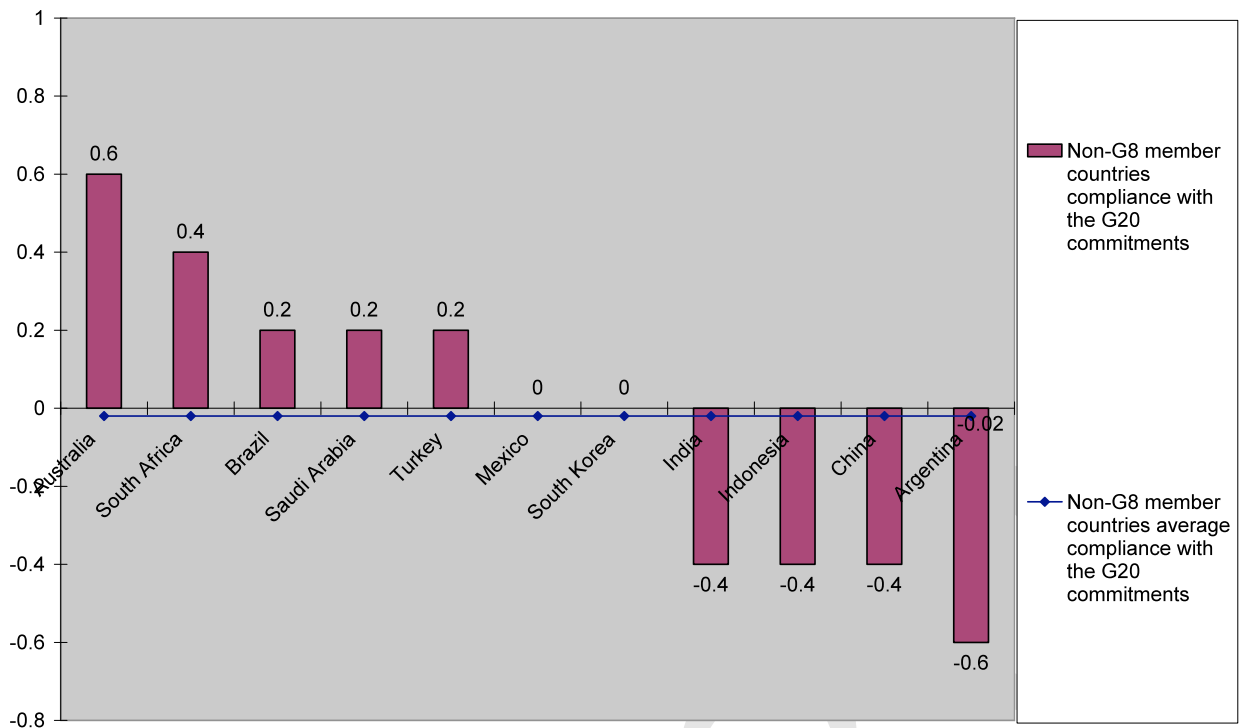
Picture 3. The G8 compliance with 2009 London summit G20 commitments

Average compliance performance for non-G8 members of the G20 is -2%. The difference in the levels of compliance with the G20 commitments can be attributed to the commitments' complexity as well as different nature of these institutions. G8 is an established forum of the most developed economies with a history of more than thirty years of collaboration aimed at resolution of acute problems and implementation of long-term programs. Whereas the G20 is emerging as a new governance forum to respond to the international financial and economic crisis.

The difference also results from the fact that G8 members have more resources and greater capabilities to meet the pledges made, a developed culture and a track record of compliance with collective commitments. Another reinforcing factor is that G8 members act in two settings of the G8 and the G20. Thus, Hokkaido-Toyako G8 summit compliance average score was 48%.

Table 4. Non-G8 member states compliance with 2009 London G20 summit commitments

Country	Restoring growth and jobs	Resisting protectionism and promoting global trade and investment	Ensuring a fair and sustainable recovery for all (1)	Ensuring a fair and sustainable recovery for all (2)	The scope of regulation	Average score
Argentina	0	0	-1	-1	-1	-0.6
Australia	+1	+1	+1	0	0	0.6
Brazil	0	+1	+1	0	-1	0.2
China	0	0	-1	0	-1	-0.4
India	-1	0	0	-1	0	-0.4
Indonesia	0	-1	0	-1	0	-0.4
Mexico	0	0	0	0	0	0
Saudi Arabia	+1	0	0	0	0	0.2
South Africa	+1	+1	-1	0	+1	0.4
South Korea	0	+1	0	-1	0	0
Turkey	+1	+1	-1	0	0	0.2
Average	0.27	0.36	-0.18	-0.36	-0.18	-0.02



Picture 4. Non-G8 member states compliance with 2009 London G20 summit commitments

A rather low level of non-G8 members' compliance can indicate the need for raising the level of consensus in the G20. Paragraph 16 of the BRIC Finance Ministers and Central Bank Governors communiqué contains a tacit confirmation of this consideration: "We believe [the G20] role should be enhanced and consolidated by improving the internal governance of the G20 and establishing clearer rules and working procedures, moving forward only on those issues on which there is clear consensus".⁷

Thus, compliance performance indicates a higher efficiency of the G8 in comparison to the G20 on the global governance function of delivery. However, the new framework of international cooperation allows the G8 members not only to coordinate measures to overcome financial and economic crisis with their G20 partners but integrate the new industrialized countries into the global governance processes. It can be asserted that enhanced contribution of non-G8 members of the G20 towards delivery can be attained only through their ever tighter involvement into the global governance functions of deliberation, direction-setting, decision-making and development of global governance.

⁷ Final communiqué of the Meeting of the finance ministers and Central Bank governors of the BRIC countries, held in London on 4 September 2009. http://www.brazil.org.uk/press/articles_files/20090904.html.

Annex 1. G20 London summit commitments selected for monitoring.

1) Restoring growth and jobs

2009-16 «We are resolved to ensure long-term fiscal sustainability and price stability and will put in place credible exit strategies from the measures that need to be taken now to support the financial sector and restore global demand».

G20 Leaders' Statement: The Global Plan for Recovery and Reform

2) Resisting protectionism and promoting global trade and investment

2009-40 «We reaffirm the commitment made in Washington: to refrain from raising new barriers to investment or to trade in goods and services, imposing new export restrictions, or implementing World Trade Organisation (WTO) inconsistent measures to stimulate exports»;

2009-41 «In addition we will rectify promptly any such measures. We extend this pledge to the end of 2010»;

2009 - 42 «We will minimise any negative impact on trade and investment of our domestic policy actions including fiscal policy and action in support of the financial sector. We will not retreat into financial protectionism, particularly measures that constrain worldwide capital flows, especially to developing countries».

G20 Leaders' Statement: The Global Plan for Recovery and Reform

3) Ensuring a fair and sustainable recovery for all (1)

2009-47 «We reaffirm our historic commitment to meeting the Millennium Development Goals and to achieving our respective ODA pledges, including commitments on Aid for Trade, debt relief, and the Gleneagles commitments, especially to sub-Saharan Africa».

G20 Leaders' Statement: The Global Plan for Recovery and Reform

4) Ensuring a fair and sustainable recovery for all (2)

2009-48 «We are making available resources for social protection for the poorest countries, including through investing in long-term food security and through voluntary bilateral contributions to the World Bank's Vulnerability Framework, including the Infrastructure Crisis Facility, and the Rapid Social Response Fund».

G20 Leaders' Statement: The Global Plan for Recovery and Reform

5) The scope of regulation

2009-66 «We will amend our regulatory systems to ensure authorities are able to identify and take account of macro-prudential risks across the financial system including in the case of regulated banks, shadow banks, and private pools of capital to limit the build up of systemic risk»;

2009-67 «We will ensure that our national regulators possess the powers for gathering relevant information on all material financial institutions, markets, and instruments in order to assess the potential for their failure or severe stress to contribute to systemic risk. This will be done in close coordination at international level in order to achieve as much consistency as possible across jurisdictions».

G20 Declaration on Strengthening the Financial System