



L20 analysis on the outcomes of the G20 Leaders' Summit, Bali, 15-16 November 2022

The urgent need for action to address the intersecting crises we face and to lay the foundation for global policy coordination is starker than ever. Yet, global leaders have failed to demonstrate the political will to deliver a global action plan for economic recovery and resilience. Instead, they have continued to repeat old pledges, phrased to merely suggest a general direction for policy, rather than offer precise wordings that would lead to concrete commitments.

Unlike many Ministerial Meetings that failed to adopt joint conclusions, the G20 Leaders concluded with a long declaration that contained almost 200 commitments, including reiterations of past ones. The breakthrough seems to have been enabled as a result of its reference to the United Nation General Assembly's (UNGA) Resolution, which deplored the Russian aggression and demanded a complete and unconditional withdrawal from Ukraine. The Declaration referred to war's economic and social impacts, including on inflation, disrupted supply chains, and energy and food insecurity. "The G20 is not the forum to resolve security issues", the Leaders agreed.

In a context of high uncertainty and tension, G20 leaders sent a message that emphasised the importance of an adherence to international law, the peaceful resolution of conflicts, and the fundamental principles enshrined in the UN Charter. In a clear message to Putin's threats and actions, the Summit proclaimed that "the use or threat of use of nuclear weapons is inadmissible". It reaffirmed the importance of "adhering to international humanitarian law, including the protection of civilians and infrastructure in armed conflicts".

"Today's era must not be of war", the Leaders emphasised.

On food security, the G20 Leaders recognised price surges and food and fertiliser shortages as global challenges. In another message to Russia, they said they would "avoid adversely impacting food security

deliberately". They welcomed the Black Sea Grain Initiative, the existing agreements, and the EU Solidarity Lanes. Their most advanced statement relating to food security underlined the need to update global agricultural food World Trade Organization (WTO) rules. However, even this is not a new affirmation.

On climate action, the meeting agreed to reach "clean, affordable, sustainable, just, and inclusive energy transitions and flow of sustainable investments" and affordable energy supplies. The mention of 'affordable transitions' is unfortunate, as it does not consider climate change's unaffordable impact on the planet and the global population. The Leaders agreed to phase out and rationalise only "inefficient" fossil fuel subsidies that encouraged wasteful consumption instead of all subsidies. They also referred to "transitions" (in plural) which is a move away from the official definition. The language on COP27 is general and vague and sets low expectations.

On the positive side, the Declaration endorsed 1.5°C for the first time. Among other climate goals, the G20 urged all countries to agree and implement the Post 2020 Global Biodiversity Framework (GBF) and achieve land degradation neutrality by 2030, although the latter remains a voluntarily undertaking. More substantial than this was the commitment to develop an international, legally binding instrument on plastic pollution by the end of 2024.

The Leaders also discussed the lack of progress on the commitment of developed countries to provide US\$ 100 billion per year. The US\$ 100 billion per year is a shallow base for future action as it comes from 2009; it does not consider inflation or the actual investments required. Climate finance should have a link with Just Transition. Also, language on the G20 Sustainable Finance Roadmap was repeatedly accompanied by reminders that any contributions are voluntary. Instead of assuming their responsibility as the main polluters and contributors to climate change, the G20 merely invited countries to make progress on loss and damage at COP27.

On global health architecture, the Leaders agreed to endorse Health and Finance Ministers' plans to establish a pandemic prevention, preparedness, and response (PPR) under the World Health Organization (WHO) and World Bank. The Fund will help developing countries develop PPR strategies. However, after noting a financing gap of US\$ 10 billion, they pledged no new resources and encouraged contributions only on a voluntary basis.

The Leaders also repeated themselves on digitalisation. They recognised digital divides, privacy issues, data protection, intellectual property rights, and online safety as challenges. They also acknowledged the importance of countering disinformation campaigns, cyber threats, online abuse and ensuring security in connectivity infrastructure. However, instead of encouraging regulation to address these problems, they reaffirmed the corporate agendas of "data free flow with trust" and unhindered cross-border data flows.

As the cost-of-living crisis affects more and more people, the Leaders resolved to stay agile and flexible in their fiscal policy responses and cautioned that measures to cushion the impact of increased prices should be well designed to avoid adding to high inflationary pressures. While poverty is on the rise globally and the number of working poor increases, Leaders remained silent on the essential lever of wages.

Given a strengthening US dollar and the rate hikes of many central banks, the Leaders called for enhanced macro-economic cooperation, financial stability, and safeguarding against downside risks and negative spillovers. However, they did not get into any details and warned that "macroprudential policies need to remain vigilant to guard against rising systemic risks as financial conditions tighten."

More worryingly, they stated that “G20 central banks are strongly committed to achieving price stability, in line with their respective mandates”. However, most central banks have a second mandate: stable and full employment, which in this case was conveniently omitted.

On taxation, the G20 committed to implementing the OECD/G20 two-pillar international tax package. They called on the OECD/G20 Inclusive Framework on Base Erosion and Profit Shifting (BEPS) to finalise Pillar One next year and to complete the Subject to Tax Rule (STTR) negotiations under Pillar Two that would allow the development of a Multilateral Instrument for its implementation. While this is a positive commitment, the devil is in the detail, and careful attention should be paid to the exact features of this initiative to ensure that it genuinely contributes to addressing the under-taxation of large businesses and curbing the global tax race to the bottom.

On financial architecture, most notable is the reiteration of “maintaining a strong and effective Global Financial Safety Net with a strong, quota-based and adequately resourced IMF at its center” as well as the IMF governance reform by the end of next year. They also noted the discussions on the IMF surcharge policy, which has strong counter-development effects in borrowing countries.

On Special Drawing Rights (SDRs) reallocation, they recorded US\$ 81.6 billion of rechanneled SDRs and encouraged themselves to further pledges to meet the US\$ 100 billion ambition. They also stated their willingness to explore rechanneling through Multilateral Development Banks (MDBs). These are all positive steps, and the G20 is right to expect more leadership from international financial institutions in this crisis. The IMF, in particular, must help countries coordinate economic policies to avert a disastrous global recession and ensure that developing countries have the liquidity they need to ensure sustainable and inclusive growth.

With a debt crisis looming, the Leaders failed to upgrade the G20 Common Framework for Debt Treatment or at least support progress towards a unified and comprehensive debt restructuring mechanism. They welcomed Chad’s debt treatment and encouraged progress on Zambia’s debt. They also called for the conclusion of the debt treatment for Ethiopia under a separate IMF-supported programme. Given the scale of the problem and the fact that the Common Framework is already two years old, this represents meagre progress. Despite these three country cases, the reforms urgently needed to expand, expedite and deepen debt relief efforts for suffering populations were sadly absent from the Declaration, illustrating the fundamental lack of consensus and political will at the G20.

Once again, the G20 did not deliver the breadth and depth of political will needed to make a difference in sovereign debt treatment. They did, however, recognise the growing debt threat to middle-income countries and that this “could be” addressed with multilateral coordination, which includes official and private creditors. They also stated that debt relief terms offered by states and private creditors should be comparable, and that transparency on debt is missing and key to success. Interestingly, this paragraph included a footnote – which is very unusual for a G20 Declaration – mentioning the reservations of one Member (China).

On the multilateral trading system, the Leaders repeated language from old Declarations and the outcomes of the Ministerial Conference. They stated that “trade and climate/environmental policies should be mutually supportive and WTO consistent”. Once again, global leaders failed to recognise the primacy of climate and social justice over trade rules and instead subordinated them to “WTO consistency”.

Endorsing the work of the G20 Labour Ministers, the Summit recognised that digital technologies are reshaping the world of work, and that the pandemic exacerbated pre-existing inequalities and affected women, youth, older workers, persons with disabilities and migrant workers disproportionately. There is nothing new for labour and employment, although the Leaders reiterated their commitment to promote decent work, eliminate child and forced labour, and support the full inclusion of migrant workers – the latter in line with national policies, legislation, and circumstances.

While public opinion around the world is mobilised against appalling working conditions – and despite the deaths of thousands of migrant workers in construction works for the Football World Cup in Qatar – the G20 Leaders did not commit to respecting and promoting the fundamental right of everyone to a safe and healthy working environment. Neither was there talk on the ratification of relevant ILO Conventions. Once again, they agreed to “a human-centred, inclusive, fair, sustainable approach that leads to greater social justice, decent work, and social protection for all.” Regrettably, the Declaration does not refer to the UN Secretary General’s initiative for Global Accelerators for Jobs and Social Protection.

Leaders endorsed the rest of the Labour Ministers Meeting outcomes on integrating persons with disabilities, community-based vocational education and training, job creation through entrepreneurship, and labour protection for all workers, including those in the informal sector.

Similarly, they reiterated past commitments to development, education, and gender equality with a few new but marginally important endorsements of ministerial actions. They also underlined the role of culture, tourism, and the elimination of corruption for development. The Leaders also discussed cryptocurrency regulation and the discussions on Central Bank Digital Currencies.