

G20 in the second decade of the 21st century. Steering the world towards inclusive growth and sustainable development¹

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Abstract

In 2020, the world community, states and citizens faced the serious global challenge. The COVID-19 pandemic jeopardized the implementation of the goals of sustainable development and inclusive growth, and has become a major challenge for the international cooperation and the action of global institutions. Being the main platform for cooperation among the world's leading economies, the G20 is often criticized for its inability to effectively withstand crises. However, as shown in this article, the G20 managed to quickly implement a coordinated set of large-scale measures to overcome the pandemic and its consequences and become a coordinator of anti-crisis actions. The author concludes that the unique characteristics of the G20 will allow it to remain the flagship of international efforts to ensure strong, sustainable, balanced and inclusive growth of the world economy, and suggests a number of priorities for the implementation of which the G20 agenda should be aimed at in the near future.

Key words: G20, inclusive growth, sustainable development, Covid-19 pandemic, digitalization, debt relief, anti-crisis measures

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The COVID pandemic and global lockdown of 2020 strongly hit the system of global governance, already weakened by the growing unilateralism, increased confrontation between actors, withdrawal of key members from multilateral agreements, and stalling international institutions reform. The subsequent large-scale economic crisis has not only highlighted the accumulated problems in public health and economic challenges, but also accelerated inequality growth, undermined progress towards the Sustainable Development Goals, and questioned the prevailing globalization paradigm.

The system of international institutions in general and the G20 as the main cooperation forum of the world's leading economies are often criticized for their inability to effectively address crises (forgetting that it was the G20 coordinated efforts that helped to stop the proliferation of the 2008-2009 global financial and economic crisis). It should be noted that coordination of actions in the beginning of 2020 was insufficient due to the general crisis of multilateralism, high degree of uncertainty about the development of the pandemic, and large costs of possible mistakes. Nevertheless, the G20 managed to quickly implement a powerful and coordinated set of measures to overcome the COVID-19 pandemic and its consequences and become an engine and coordinator of actions by multilateral institutions to deploy a package of anti-crisis measures aimed at adapting and strengthening health systems, supporting the economy, employment and social protection, and providing assistance to the most vulnerable countries and population groups.

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The extraordinary G20 summit's commitments to support WHO's efforts and strengthen its capacity to coordinate the response to the pandemic, to close the financing gap in the WHO Strategic Preparedness and Response Plan, and to provide immediate resource support to the WHO's COVID-19 Solidarity Response Fund, helped to strengthen the response potential. G20 members have committed more than \$21 billion to finance the development of vaccines, diagnostics and therapeutics [G20, 2020a], supported the Access to COVID-19 Tools Accelerator and approved funding for the WHO Strategic Plan [WHO, 2020]. The G20 agreed and implemented measures that facilitated resource mobilization for vaccine development. A critical decision for consolidating efforts was the recognition of immunization as a global public good.

The 2020 G20 summit's decisions on stimulating the global economy through targeted fiscal policy, economic measures and safeguards mechanisms, and the implementation of the G20 COVID-19 Action Plan have helped mitigate the social, economic and financial impact of the pandemic. Cumulatively, these stimuli have exceeded \$11 trillion [G20, 2020a]. Support and targeted financing of businesses, SMEs, households and citizens, including through flexible forms of working and the provision of public services in electronic form, and implementation of a comprehensive package of measures to ensure economic and financial stability [G20, 2020a] contributed to a significant economic recovery in Q3 2020 (8.1%) [OECD, 2020a] after an unprecedented drop in Q2 2020 (-6.9%) [OECD, 2020b]. Social protection measures have secured livelihoods for 645 million people [ILO, 2020].

To help the most vulnerable countries, the G20 supported the IMF's crisis response package and welcomed the mobilization of its \$1 trillion lending capacity, called on the WB and MDBs to immediately provide \$200 billion of financing for projects to support health systems, and to replenish the Poverty Reduction and Growth Trust (PRGT) and the Catastrophe Containment and Relief Trust (CCRT) [G20, 2020b]. Endorsed by leaders in March and extended by six months in November, the Debt Service Suspension Initiative for low-income countries (DSSI) provides temporary relief to 73 states, affecting debt service payments totaling approximately \$477 billion (as of 2018) [Eurodad, 2020]. The scope of assistance is clearly far from the funding needs estimated by UNCTAD at about \$2.5 trillion [UNCTAD, 2020], DSSI savings as a percentage of total debt service due in 2020 are only 1.66%,² and the road to recovery will definitely not only be long [Georgieva, 2020] but also difficult. Nevertheless, the decisions made in 2020 laid the foundation for recovery, preserved the principle of multilateralism in the global governance system and confirmed the G20's role as a key anti-crisis institution and a leading forum for economic cooperation between countries.

The G20 cooperation program for 2021 covers the entire range of issues on the global economic agenda: macroeconomics and finance, healthcare, sustainable development, sustainable climate and energy transition, environment, digital economy and digital government, labor and employment, education and science, trade and investment, agriculture, anti-corruption, tourism and culture. With the expansion of its agenda, the G20 consistently transforms from a

² This is due to a number of factors. The initiative does not include 68 countries, does not extend to multilateral financial institutions, and is not mandatory for private lenders. See: The G20 Debt Service Suspension Initiative. Draining out the Titanic with a bucket? 10.2020. Available at: <https://d3n8a8pro7vhmx.cloudfront.net/eurodad/pages/768/attachments/original/1610355046/DSSI-briefing-final.pdf?1610355046>

“closed” financial and economic club into an open forum for cooperation on economic and social development issues.

The health and well-being of people and the planet along with maximizing the potential of digitalization – the stated priorities of Italy’s G20 Presidency – will be central to the G20 agenda in the new decade. In this case, there will be hope that this decade will not become lost [UNCTAD, 2020] for implementing the Sustainable Development Goals (SDGs), ensuring inclusive economic growth and the well-being of citizens. Obviously, helping vulnerable countries, addressing the systemic risk of unsustainable debt growth, facilitating progress towards the SDGs, preserving nature and climate, and ensuring equal opportunities for all in the digital economy will remain high priority issues not only in 2021, but also in subsequent years in the agenda of Indonesia's, India’s and Brazil’s G20 Presidencies,

The first priority, which can produce the most significant expected outcome in 2021, is to secure resources to help health and social protection systems of developing countries without exacerbating their debt problems. Building on the decisions made in 2020, the G20 should develop additional proposals to ease the debt burden and ensure debt sustainability of the least developed countries, in collaboration with the Paris Club and other international institutions. Extending the debt service suspension for the least developed countries, with a possible write-off of accrued payments, will free up resources to combat the pandemic and its economic consequences. The key condition to ensure that these resources are not used to pay debts to lenders not participating in the DSSI should be the development of a mechanism for suspending the service of debt to private creditors. This is a very difficult task. One of the experts’ proposals is the protection from a lender-initiated litigation at the request of a sovereign borrower based on Section 2 (b) of Article VIII of the IMF's Articles of Agreement in case of a decision by the IMF Executive Board on a broad and authoritative interpretation of the provisions on the terms of exchange contracts and their extension to debt contracts [Munevar, Pustovit, 2020]. Another proposal is that “multilateral institutions such as the World Bank or other multilateral development banks create a central credit facility allowing countries requesting temporary relief to deposit their stayed interest payments to official and private creditors for use for emergency funding to fight the pandemic. Principal amortisations occurring during that period would also be deferred, so that all debt servicing would be postponed” [Bolton et al., 2020].

Additional resources to support developing countries’ efforts to combat the consequences of the pandemic without aggravating their debt problems could be provided through a new issue of USD500 billion³ to USD1 trillion [UNCTAD, 2020] equivalent of the Special Drawing Rights. Given the support of a significant number of the IMF [Reuters, 2020] and G20 [Johnston, 2020] members, including the United States, the G20 returned to discussing this issue in 2021. One of the proposals in this regard suggests that the SDRs issue could be made simultaneously with an agreement that countries that do not need their shares will transfer them to special trust funds of the IMF, WB and / or regional development banks, subject to subsequent use by the relevant institutions for allocating concessional loans and writing off debts for countries in greatest need [Tandfonline, 2020].

³ Embracing the Global Public Amid COVID-19: A Conversation with Joseph E. Stiglitz. 29/20.2020. Available at: <https://www.bu.edu/gdp/2020/10/29/embracing-the-global-public-amid-covid-19-a-conversation-with-joseph-e-stiglitz/>

Digitalization is an inexhaustible resource for supporting vulnerable countries, reducing inequality and facilitating global economic growth in general. The development of the digital economy permeates the entire agenda of the G20, which has set itself the task of maximizing the potential of digital technologies for facilitating economic recovery and improving the quality of people's life. The G20 countries have pledged to strive to provide Internet access for the entire population of the planet. The digitalization of labor, education, healthcare, public services, finance and trade opens up broad prospects for ensuring equal opportunities and developing the potential of every person. The G20 pays close attention to the digitalization of production processes, creation of "smart cities", development of artificial intelligence and distributed ledger technology ("blockchain"), which can significantly improve the quality and efficiency of business processes.

The effective use of the digital economy's potential should accelerate progress towards the SDGs implementation. In this regard, a possible practical solution the G20 could consider is to align plans to achieve the SDGs with the objectives in the digital area such as bridging the digital divide in Internet access [ITU, 2019], creating digital public goods,⁴ protecting data⁵ and critical infrastructure [UN, 2020], and improving coordination and collaboration regarding artificial intelligence.⁶ For example, "Goal 4: Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all" could be linked to the goal of significantly increasing the number of households with (a) access to the Internet for educational purposes; and (b) computers for educational purposes. "Goal 9. Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation" could be supplemented with an indicator of the share of FDI in high quality digital infrastructure.

Speaking about the sustainable development concept, one cannot ignore another key priority for the G20 and the entire global community – climate and environmental protection. The G20 has outlined an ambitious work plan to identify effective solutions for green development, including transition to a circular economy, moving towards carbon neutrality and preserving our planet's biodiversity. The implementation of these ambitions clearly requires a balanced approach considering different levels of countries' economic development, and the achievement of some SDGs should not slow down progress in other areas. In this context, the G20 platform using consensus-driven approach to decision-making and involving countries with a wide diversity of views provides an opportunity to agree on breakthrough decisions to determine the principles of a new, green world economy, while ensuring a balance of interests of all parties.

It is probably this unique feature of the G20 – finding consensus in addressing pressing global challenges, effectively overcoming differences, and responding to major challenges in a

⁴ Such goods can be defined as open-source software, open data, artificial intelligence models, standards and content that comply with privacy regulations and other applicable international and national laws, standards and best practices, and that do not cause harm.

⁵ The potential costs of data privacy violations worldwide are estimated to exceed USD5 trillion by 2024. See: Business Losses to Cybercrime Data Breaches to Exceed \$5 Trillion by 2024. Available at: <https://www.securitymagazine.com/articles/90806-business-losses-to-cybercrime-data-breaches-to-exceed-5-trillion-by-2024>

⁶ There are currently more than 160 sets of ethical principles and principles of management in the field of artificial intelligence around the world, adopted by specific organizations and countries or agreed at the international level. However, there is no common platform for bringing these separate initiatives together.

coordinated manner – that will allow it to retain leadership in international efforts to ensure strong, sustainable, balanced and inclusive growth of the global economy.

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