Alessandra Cicci, co-chair of summit studies for the G20 Research Group, assesses the scope of commitments and compliance of the G20 with regard to fostering financial stability.

At the heart of the G20’s founding is its mission to promote financial stability in the world. The very creation of the G20 was driven by the view that the world needed a newer, more informal financial and economic steering group, consisting of systemically significant economies. The G20 has long addressed issues of financial stability, including financial regulation and the reform of international financial institutions (IFIs). Following the global financial crisis of 2008, the G20 rose from a forum of finance ministers and central bank governors to the summit level.

Yet challenges remain, including rising financial vulnerabilities, global imbalances, inequality and weak growth.

Argentina’s G20 presidency will build on the legacy of past presidencies on many issues. Ensuring continuity, the Buenos Aires Summit will work towards a strong and sustainable financial system, including completing and implementing the financial reform package and monitoring any risks to financial stability.

**Commitments**

Since 2008, G20 leaders have made 451 commitments on financial regulation and IFI reform. These represent 19% of its 2,398 overall commitments. With 318 commitments, financial regulation ranks second behind macroeconomic policy, and IFI reform ranks seventh with 133 commitments.

On financial regulation, G20 leaders made 59 commitments on financial regulation at the 2008 Washington Summit following the eruption of the global financial crisis that September – the most ever. At the next summit, in London in 2009, they made 45. Since then, the number of commitments on financial regulation has decreased, although there was a spike to 39 at the 2017 Hamburg Summit.

On IFI reform, the most commitments were made at the 2009 London Summit with 29 pledged. Following that summit, fewer were made, dropping significantly at the 2015 Antalya Summit, with only two. Again there was a spike at Hamburg, to 14 commitments.

**Compliance**

Of these 351 commitments, the G20 Research Group has assessed 27 for compliance. Compliance averaged 71%, just under the G20’s overall average of 72%.

On financial regulation, of the 318 commitments made from 2008 to 2017, the 20 assessed averaged 75%. Australia and Germany each scored the highest with 90%. Japan followed closely with 89%. The first commitment assessed was from the 2008 Washington Summit. It addressed strengthening resilience and transparency of credit derivatives markets and reducing their systemic risks through additional
recommendations. It had 100% compliance. Three commitments were assessed from the 2011 Cannes Summit, on implementing the financial sector reform agenda and a comprehensive framework to address the risks posed by systemically important financial institutions. Their average was 85%, higher than the summit average of 73% that year.

On IFI reform, with seven commitments assessed, compliance was 68%. It was led by France, Germany and Japan, each with 93%. Two commitments were assessed from the 2011 Cannes Summit: one on ensuring the International Monetary Fund (IMF) had sufficient resources and one on implementing the 2010 quota and governance reform of the IMF. Compliance was 65%. At the 2015 Antalya Summit, G20 members reaffirmed their commitment to maintain a strong, quota-based and resourced IMF. Compliance with this commitment was 93%, with only Argentina, Indonesia and Turkey partially rather than fully complying.

Causes and consequences
The American-turned-global financial crisis of 2008 shocked the G20 into action, as it rose to the leader level. The G20 assumed the role of reforming the global financial system, and took concrete, future-oriented action by mobilising fiscal stimulus, creating the Financial Stability Board (FSB) to promote financial stability and reforming IFIs.

Although the G20 plays a significant role in promoting financial stability, global challenges remain, including “financial pressures in vulnerable emerging economies, and the return of sovereign risk in parts of the euro area,” according to the IMF’s Christine Lagarde. It is not clear just how robust the global financial system truly is, as global recovery since 2010 has not been completely sustained, and as financial insecurity continues to grow.

Corrections
As an informal institution, the G20 lacks formal authorisation, and thus lacks formal accountability mechanisms. Although it strives to achieve greater accountability, gaps remain. Thus, at Buenos Aires, G20 leaders should look to strengthen accountability, specifically in the area of financial regulation.

The G20 can strengthen its accountability mechanisms by increasing the production of evidence-based, self-accountability reports that connect commitments, results and assessments, and recommendations. It can engage more with civil society, including various civil society organisations. Given the expanding G20 agenda and the interconnectedness of so many global issues, financial issues have broad implications, which require extensive consultation and engagement with civil society.

The views and opinions expressed in this article are those of the authors and do not necessarily reflect the views of the Global Solutions Initiative. This article was originally published in G20 Argentina: The 2018 Buenos Aires Summit by GT Media Group and the G20 Research Group, 2019. View the original article.