

Brazil's presidency of the G20

Advances and stagnation points

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- On the eve of the G20 Leaders' Summit, it is already possible to take stock of the Brazilian presidency, the progress made and the points of stagnation in the debates and decisions of the year that is coming to an end. From this, it is possible to illuminate the legacies and challenges received by the South African presidency of the group.
- The creation of the Global Alliance against Hunger and Poverty, which will be officially launched at the same time as the Summit, is one of the major hallmarks of Brazil's G20 presidency. The South African presidency will have the opportunity to continue contributing to the advancement of international cooperation mechanisms and adequate funding for initiatives that combat the main problems faced mainly by countries in the Global South, in line with the Alliance launched this year.
- The Task Force for Global Mobilization against Climate Change deals with an urgent issue which, in theory, could bring different countries together to achieve common goals. In practice, however, there was little consensus on concrete actions to be implemented to deal with an extremely serious crisis.
- The group on International Taxation is another major hallmark of Brazil's G20 presidency, with proposals to increase tax progressivity at a global level, including taxing the super-rich. However, there are no mechanisms that can ensure the implementation of the proposals and the main discussions on the subject, especially on implementation, will tend to be shifted away from the G20.
- The Working Group on International Financial Architecture (IFA) should also be highlighted, especially for the consensus reached on the reforms of the Multilateral Development Banks (MDBs). However, there was little progress on the proposals to increase the representation of the Global South in multilateral institutions, and even less progress on those related to reducing the external debt of low-income countries.
- The Working Group on Sustainable Finance promoted important debates, especially in relation to financing funds, but there is still a need to create mechanisms to guarantee the implementation of the proposals and progress in financing the investments needed to tackle the climate crisis in local currencies.
- The participation of civil society in the G20 debates has deepened under the Brazilian presidency, especially through the Social G20.

1. INTRODUCTION

Among those who defend the need for transformations in the global economic order, Brazil's presidency of the G20 has aroused a lot of interest, for two reasons: i) because of the sequence of presidencies by countries from the so-called Global South, which began with Indonesia in 2022 and India in 2023, and will continue with Brazil passing the baton to South Africa, which will preside over the group in 2025; ii) because the President of Brazil during the G20 presidency will be Luís Inácio Lula da Silva, a prominent figure on the international scene, especially in debates on the need to reform the international order and reduce global inequalities.

On the eve of the G20 Summit, to be held in Rio de Janeiro on November 18 and 19, 2024, it is already possible to take stock of the Brazilian presidency, the progress made and the points of stagnation in the debates and decisions of the year just ended. Knowing that this progress and analysis is the result of numerous and complex negotiations involving all the members of the group, the assessment made in this note is not intended to hold the current Brazilian government responsible for any successes or failures. In this sense, it is also worth highlighting the moment of heightened geopolitical tensions that mark the current international scenario, which makes negotiations difficult and limits the results of a forum that seeks preferably consensual solutions to global issues.

In this edition, for example, the attempt at a consensual communiqué at the first ministerial meeting (February 21 and 22) was thwarted by disagreements on the subject of the Ukrainian War. This meant that the discussion had to be separated from the Finance Track in order to allow for statements at subsequent meetings, which shows the extent of dissent on certain issues.

That said, the aim here is to map the movements, nuancing Manichean analyses and highlighting the legacy and the challenges transferred to the South African government, which takes over the presidency of the group on December 1, 2024. This analysis will focus mainly on the Finance Track, as well as the two Task Forces considered here to be the most relevant. The study is not exhaustive but covers the Working Groups that have been most prominent, namely Taxation, International Financial Architecture and Sustainable Finance. In addition to these WGs, the Task Force for the Global Alliance against Hunger and Poverty and the Task Force for Global Mobilization against Climate Change are also included. This analysis will be based on the final notes of their discussion.

In addition to analyzing the content, it is also possible to see the degree of progress in the negotiations through the references to these final notes in ministerial-level documents, Communiqués from the Meetings of Finance Ministers and Central Bank Presidents or Notes from the Chair, and also through the terms used in these documents. After all, there is a hierarchy of terms in the communiqués that reveals the degree of consensus reached on the issues in question. The strongest term that reveals consensus is “endorse”. When there is an intermediate degree of agreement, the term “welcome” is used. For more controversial topics, the term used is “take note”. The term “look forward” is used for notes that have almost been finalized but on which the group of countries has not yet reached an agreement.

Finally, an analysis of the national and international media was also carried out, revealing their perception of the process in the different areas mentioned above. The analysis focused on three national media outlets (Brasil de Fato, Folha de São Paulo and Valor Econômico) and four international ones (Guardian, Financial Times, Reuters and The Economist). For the period from September 2023 to October 2024, all the stories that dealt with the G20 were identified, with the most covered topics being identified.

2. BRAZIL'S PRESIDENCY OF THE G20: MAIN RESULTS

During his speech at the opening session of the 78th General Assembly of the United Nations (UN) in September 2023, President Lula announced his government's motto for the Brazilian presidency of the G20: “Building a Just World and a Sustainable Planet”. In line with this motto, he also spelled out the three priority axes for conducting the group's activities in 2024:

1. Social inclusion and the fight against hunger and poverty;
2. Energy transition and sustainable development;
3. Reform of global governance institutions.

It is interesting to note that the axes chosen deal with unavoidable issues for all the countries of the globe, such as the question of sustainability, but also refer to agendas that are dearer to the Global South, such as the effort to reform the current institutions of global governance.

In addition to the traditional G20 Tracks (Finance Track and Sherpas Track) – each with a set of Working Groups – it is important to note that the Brazilian government has created two task forces, namely the Task Force for the Global Alliance against Hunger and Poverty and the Task Force for Global Mobilization against Climate Change.

Their results will be discussed below, but from the outset it is necessary to recognize that these are indeed two of the greatest problems of our time and that, according to many analysts, they reveal that today we are living through a humanitarian crisis (i.e. a crisis that puts the very survival of humanity at risk). What's more, they are two effectively global problems, in the sense that they cannot be tackled by each country in the world in isolation, although they affect the countries of the Global South most acutely. As a result, at a time when the failure of the current global governance structures is being exposed – e.g. by the scandalous distribution of vaccines against Covid-19 during the pandemic – they are in fact the two challenges that, at least in principle, could unite the different countries of the world around common causes. Between good intentions and concrete reality, the roads are long and full of obstacles, as the meetings and discussions have revealed, but we must welcome the creation of the Task Forces and the themes chosen.

In the first of these, the main objective, as the name suggests, was to create a Global Alliance against Hunger and Poverty.

This initiative was originally proposed by President Lula to Xi Jinping during his official trip to China in 2023 and was subsequently taken to the G20 by the Brazilian government. As it was not set up as a Working Group, which necessarily has fixed co-chairs, it was a group in which the Brazilian government had more freedom to act. The main objective is to “raise the fight against hunger and poverty to the forefront of the global agenda”, through three fronts: i) stimulating national policies aimed at this end; ii) favoring the financing of policies aimed at fighting hunger and poverty; iii) promoting the international exchange of experiences and social technologies accumulated in these struggles. Scheduled to be announced at the G20 Leaders' Summit on November 18 and 19, 2024, the Alliance has already been agreed, and the Brazilian government is now trying to ensure that as many countries (not just the G20) and organizations as possible join. As described above, the plan is for the Alliance to be responsible for offering a range of policies to combat hunger and poverty validated by the international institutions involved, with the design of mechanisms to potentially increase funding for the policies concerned, and with the sharing of social techniques and technologies between countries (and, above all, with the lowest-income countries). This is undoubtedly an important creation and one that will remain one of the great hallmarks of Brazil's presidency of the G20.

However, its concrete results are still unpredictable and, in addition to initiatives to boost policy funding, it would be important to define budgets for this purpose. International experiences show that such policies are not expensive and, if well designed, tend to be self-financing at the national level, due to the multiplier effect of income and the resulting increase in revenue. This issue of combating hunger and poverty was among the most prominent in the Brazilian media, but curiously appeared little in the international media.

Also created by the Brazilian presidency, the Task Force for Global Mobilization against Climate Change set out to serve as a privileged forum for discussions on the structural changes needed to prevent global temperatures from rising by an additional 1.5 °C. More specifically, the focus was on debates about the financial aspects of combating climate change. Unfortunately, no concrete progress was made. The aforementioned appeal that could come from the realization that this is by definition a global problem – and that it will not find national solutions – was not able to lead to consensus. The Task Force enabled the drafting of an important and timely document (“A Green and Just Planet[1]”), drawn up by a group of independent experts coordinated by Mariana Mazzucato and Vera Songwe, but the report was not well accepted by many countries.

It is, therefore, a burning issue, but one that is still awaiting collective and effective solutions. The Task Force also approved a Ministerial Declaration[2]. However, the use of mitigating terms such as “voluntary, non-binding, flexible, no one-size-fits-all, country-driven, nationally determined manner” are indicative of the difficulty of achieving consensus on the issue of combating climate change. In the national media, the environmental issue was the one that had the most space in the news about the G20.

Among the Finance Track Groups, one of the most prominent during Brazil's G20 presidency was that on International Taxation. In the international media, it was by far the most covered topic. In line with the first of the three priorities listed by the government, relating to the fight against inequality and poverty, the group was responsible for discussing and making proposals for an increase in tax progressivity at a global level, with a central focus on taxing the super-rich. On the international stage, the tax issue has historically been concentrated in discussions coordinated by the OECD and the group led by the Brazilian presidency of the G20 was able to bring new air to this debate. The most important result was a consensual Declaration on taxation, which echoes the concerns mentioned above about tax progressivity and the taxation of large fortunes.

[1] <https://www.g20.org/en/tracks/sheerpa-track/climate-change/the-g20-taskforce-on-a-global-mobilization-against-climate-change-tf-clima>

[2] <https://www.gov.br/mma/pt-br/assuntos/noticias/declaracao-ministerial-da-forca-tarefa-para-mobilizacao-global-contra-a-mudanca-do-clima-do-g20>

The “Rio de Janeiro Declaration on International Tax Cooperation” was endorsed by the group. However, the recommendations are not mandatory and even the 4th Communiqué of the Meeting of Finance Ministers and Central Bank Presidents indicates the need to create mechanisms to ensure compliance with the proposals[3]. Furthermore, the declaration itself points out that the discussion of the implementation of the proposals will have to be held in forums other than the G20, i.e. the OECD and the UN Tax Convention, which will tend to deflate the discussion in subsequent presidencies.

Among the Working Groups, one of the most prominent was the one on the International Financial Architecture (AFI). Created after the outbreak of the Global Financial Crisis in 2008-9, the group made progress during the Indian presidency (2023) and some debates could be deepened during the Brazilian presidency. The agendas are varied, ranging from more general discussions on global governance reforms and capital flows to so-called emerging countries to discussions on the external debt of low-income countries and the work of the Multilateral Development Banks (MDBs). [4] “We look forward to discussing potential areas of cooperation to ensure that ultra-high-net-worth individuals are effectively taxed and continue to encourage the Inclusive Framework on BEPS to consider working on these issues in the context of effective progressive tax policies”.

The most important results came from the latter agenda, which was based on an important document written by the group of independent experts during the Indian presidency (“The Triple Agenda: Strengthening Multilateral Development Banks”) and greater participation by the MDBs themselves in the debates. The “G20 MDB Roadmap towards Better, Bigger, and More Effective MDBs” indicates the need for a significant increase in the lending capacity of the MDBs, particularly to meet the need for investment in infrastructure in the Global South and to deal with the climate emergency. This requires greater capitalization of the banks, but also changes to the capital adequacy framework.

In addition, it is suggested that the various MDBs should maintain their autonomy, but seek to act jointly to deal with global challenges. At the same time, they should increase their operations in partnership with local agents in the countries where they operate. If the a priori resistance of the MDBs themselves to the use of this instrument[4] is overcome, this could encourage lending in local currencies, which would be very welcome. On the other hand, there is a case for increasing the mobilization of private capital for loans, which seems sensitive and risky to us. This Roadmap was not only endorsed by the 4th Communiqué of the G20 Meeting of Finance Ministers and Central Bank Presidents, but was also identified as one of the key deliverables of the Brazilian presidency.

[3] “We look forward to discussing potential areas of cooperation to ensure that ultra-high-net-worth individuals are effectively taxed and continue to encourage the Inclusive Framework on BEPS to consider working on these issues in the context of effective progressive tax policies”

[4] <https://www.brettonwoodsproject.org/2024/10/sustainable-development-requires-sustainable-finance-why-local-currency-financing-is-part-of-the-solution/>

It is hoped that the consensus around this Roadmap will favor an effective transformation in the way the MDBs operate, which in fact have been underused in the face of immense global investment needs.

Still on the subject of the International Financial Architecture, the 4th Communiqué “welcomed” the work of the Executive Committee of the International Monetary Fund to design a new formula for defining each country's quota in the Fund. This is an old debate, and it is scandalous that the United States still retains veto power within the institution. A realignment of quotas is indeed necessary, but there don't seem to be any indications that major transformations - effectively giving more power to the Global South - are on the near horizon. The good news is that the proposal to create a new seat on the IMF to increase the representation of sub-Saharan Africa has also been “welcomed”. An important note was also released, calling for an increase in regional representation and women in senior positions in the International Financial Institutions. For example, it is absolutely unreasonable to maintain the convention of appointing names from the United States and Europe to the general management and presidency of the IMF and the World Bank respectively.

Unfortunately, the 4th Communiqué only took note of this document, which we can take as an indication that there will probably be no changes to this logic of representation. Finally, it is important to mention that this Working Group held discussions on the external debt of low-income countries. Despite little concrete progress - due to resistance from the central countries, but also from China, which today occupies a position as a major international creditor - it is important to note that the presence of the African Union has amplified the continent's voice in the group, allowing for a stronger defense of its interests and needs. In this context, the event “Africa-led debate on debt and development financing” brought innovative perspectives to deal with Africa's external debt, in a debate led by the African nations themselves. The most valuable contributions came from Kenyan economist Hannah Ryder, who criticized the unjustified risk premium assigned by international financial institutions and risk agencies to African countries, making their debt more expensive and their repayment period shorter.

The economist also proposed a series of possible solutions to the over-indebtedness of African nations: the foundation of a borrowers' club at sovereign level, in which the pooling of participants' resources and assets could facilitate access to cheap and concessional financing; the significant expansion of African countries' quotas in the IMF; changing the way the international community and institutions think about debt sustainability; etc.

The Sustainable Finance Working Group also had its work closely followed by the media and succeeded in drawing up a "G20 Sustainable Finance Roadmap" which was endorsed by the 4th Leaders' Communiqué. The discussions focused on funds for sustainable investments and for a "just transition" and, with the participation of representatives of important international funds, principles were approved to increase their effectiveness. However, definitions on how to monitor the implementation of the recommendations, which were prepared by a group of independent experts, were still pending. At the same time, it is worth noting that the Brazilian presidency had drawn up the "G20 Presidency Notes on Debt for Development Swaps and Climate Resilient Debt Clauses (CRDCs)", but the group's 3rd Leaders' Communiqué only took note of the document.

In other words, environmental issues are the most urgent - and, as said above, they are inherently global and could in theory favor greater coordination towards common goals - but it is still very difficult to reach consensus on the actions to be implemented. In addition, this, like other discussions proposing multilateral debt swap negotiations, was strongly resisted by creditor countries, especially China, which contributed to the lower degree of consensus mentioned above.

Finally, it is important to highlight the prominent role of the Social G20, which had thirteen Engagement Groups: representatives of business, labor, parliamentarians, young people, women, think tanks, the supreme court and constitutional court, supervisory bodies, the scientific community, the start-up ecosystem, innovation and technology, organized civil society and specialists in urban and ocean-related issues. The Brazilian presidency sought to include these different groups in the Track's discussions and events, with the aim of integrating civil society into the Track in a deeper way than previous G20 presidencies had done. Preceding the G20 Leaders' Summit, the G20 Social Summit will be organized, with meetings and debates proposed by civil society.

3. FINAL THOUGHTS AND THE PASSING OF THE BATON TO SOUTH AFRICA

On the eve of the G20 Leaders' Summit, this Note seeks to analyze some of the results considered to be the most relevant in this year of intense activities and debates. Recognizing the difficulties inherent in any process of multilateral construction – especially in a context of heightened geopolitical tensions – it is wrong to understand these results as mere failures or successes of the Brazilian government, so that the intention here is above all to shed light on the legacy and challenges that remain for the South African presidency, which will begin in December this year.

First of all, we believe that the South African presidency should have no qualms about assuming its mandate as one that will prioritize African agendas. It is idle to insist on the heavy debt that the world – and especially the central countries of the West – owe to the continent. The African Union's entry into the group is not a minor event and, on the contrary, should serve as support for a (supposedly) global agenda, but with particular attention to the needs of the African people. As an example, the agenda of foreign debt relief for low-income countries has made little progress this year and should be vigorously pursued again next year.

In the same sense, the South African presidency will be able to deepen Brazil's legacy, embodied in the founding of the Global Alliance Against Hunger, of creating and strengthening mechanisms for international cooperation on problems that mainly affect the Global South. In addition, initiatives aimed at agreeing on the concrete sources of the financial resources that can carry out the objective of reducing hunger and poverty will be welcome, without which the international fight against these problems is unlikely to have a significant effect, despite the creation of new institutions for this purpose.

With regard to international taxation, the tendency is for the debate to wane during the next presidency, despite the commitment of the African authorities to return to the issue, given that the discussion on the implementation of the agreed proposals will take place mainly in other forums. Also, in relation to the sustainable funds discussed above, but to a number of other proposals endorsed by the Communiqués, there must be continuity in the negotiations to ensure that the proposals are put into practice.

With regard to the participation of civil society, it is hoped that the movement started by the Brazilian presidency will intensify, not only in terms of the diversity of groups represented, but also – and particularly – in its dialog with government leaders. Furthermore, bringing the voice of civil society to official meetings is a way of expanding and legitimizing African agendas.

Finally, it is important to note that at the same time as South Africa takes over the presidency of the G20, Brazil is taking over the presidency of the BRICS and organizing COP30, to be held in Belém in November 2025. This is therefore an opportunity for the Brazilian and South African governments to maintain an attuned dialogue for coordination and pressure in relation to agendas that are dear to both countries and, more generally, to all the countries that make up the Global South.

