



G-20 Work Program for 2008

Fostering Growth, Innovation and Social Inclusion

In developing the work program for 2008, Brazil sought to combine legacy and new issues, as well as to build on existing themes. As a legacy theme, the G-20 will take up South Africa's Fiscal Space theme, focusing on the creation of fiscal space through the prioritization of government expenditures. As a new element of our work program, we will introduce a discussion on competition in the financial industry. With both of the themes, enhancement of growth, a key concern of the G-20, will be addressed.

In order to develop Australia's Energy and Resources theme and South Africa's Commodities and Financial Stability discussion, we will focus on clean energy, because of its importance for development and poverty reduction, and its impacts on commodity markets and on macroeconomic policy.

1. Competition in the Financial Sector

The G-20 has identified competition as one of the driving forces of economic growth. Given the particular expertise of G-20 members, the scope of the proposed Workshop focuses on competition in the financial sector. The level of competition in the financial sector affects the efficiency of the production of financial services, the quality of financial products and the degree of innovation in the sector. The degree of competition in the financial sector can also influence firms' and households' access to financial services and external financing. Most importantly, competition in the financial sector is linked to economic growth and stability.

The Workshop will seek to cover the most important topics of this very broad theme. After an introductory discussion of best practices in competition policy and the benefits to the economy more broadly highlighting possible differences between the financial and other sectors, the focus will be on the benefits and risks related to increased competition in the financial sector, the relationship between competition and financial stability, the role of regulatory frameworks, the impact of greater openness to foreign bank competition on local financial systems, the implications of consolidation for competition in the financial sector and the role played by non-bank financial institutions in promoting competition in the banking sector, among other topics. In addition, the links between competition in the financial sector and economic growth will be explored.

2. Clean Energy & Global Markets

The global community is working towards a potential double dividend by meeting the energy needs that are essential for economic growth and fighting poverty, while at the same time leaving behind a trail with a smaller environmental footprint. Meeting





worldwide energy needs in an environmentally responsible way is an urgent and difficult task, which requires mobilization from governments, the private sector and the IFIs.

The demand for primary energy is expected to increase significantly in the next few decades. Major energy sector challenges arise from this, especially when we think about energy as a source of poverty reduction and macroeconomic stability worldwide. Some of these challenges will have distinct economic effects on developed and developing countries.

Through its regular debate, the G-20 could contribute towards building a common platform for country dialogue across all of the following issues next year, in a preliminary workshop format:

a. Clean Energy for Development:

- Critical role of access to energy for development;
- Importance of energy security, and the role of energy diversification;
- Achieving emissions, development and security goals through developing the right international investment framework for clean energy.

b. Clean Energy and International Financial Markets

- The production and use of biofuels in the context of a transition to a low-carbon economy;
- Development of world markets for biofuels, and impacts on other commodity markets, especially agriculture;
- Trade barriers and the effects of protectionism in agriculture in the development of a global market for biofuels;
- The impact of the commoditization of biofuels in the global energy and food markets;
- The role of the international carbon market in developing clean energy technologies in developing countries.

c. Clean Energy and Macroeconomic Policy

- Developments in the market for clean energy its impact on inflation and the response of monetary policy;
- Terms of trade impacts and response of exchange rate policy;
- Fiscal considerations.

3. Fiscal Space for Growth and Social Inclusion

Our proposal is to continue the debate on this legacy topic by turning to the expenditure side of the budget, specifically, to issues of quality and efficiency in public spending. Our intent is to focus on two sub themes: a) maximizing crowding-in: government spending and productivity growth; and b) price, output and debt stability: counter-





cyclical fiscal policies, macroeconomic stability and debt sustainability. Though mindful of the theoretical debate, the emphasis would be on the realities of budgetary procedures, on the available record of country-specific successes and failures; on realistic ways and means of delivering objectives; on tailoring policies to specific circumstances.

Relative to the first sub theme, of particular interest would be the link between public investment and country-wide (or sectoral) productivity growth; the issue of whether current public spending is also linked to productivity growth, and of what kind: education and health or more broadly, social assistance programs including inter-governmental transfers. The attempt would be to steer the discussion to the available empirical evidence about specific links and to the identification of best practices.

The second sub theme would examine budget procedures, given the long-term objective of creating fiscal space for economic growth with social inclusion through the business cycle. Practical procedures for operating the budget may enhance the pro- or counter-cyclical character of fiscal policy. Many fundamental issues are involved, including the choice of the most useful concept of public sector, i.e.: what is the appropriate definition of the "counter-cyclical" PSBR. Other concerns include the definitions of net debt of the public sector and of the appropriate deficit target for countries operating in the context of fiscal responsibility laws with specific target mandates.

4. Reform of the Bretton Woods Institutions

The G-20 will continue to play an important role in the discussions on the reform of the Bretton Woods Institutions and will deliberate on specific issues during 2008. G-20 members will be able to meet throughout the year and build consensus where further progress is required in order to contribute to a successful conclusion of the second stage of quota and voice reform.

5. Global Economy Prospects and Risks to Domestic Policies

Following the standard agenda of the G-20, the forum, during the Brazilian Chair, will evaluate the current risks and prospects of the global economy that impact on the domestic policies of the members. Recent volatility of the global market suggests that there are issues requiring coordination.

In addition, the Brazilian Chair will establish a Study Group on Global Credit Market Disruptions, proposed by Australia, which has offered to chair it. Other study groups – which have proved to be a useful tool in identifying challenges to be addressed and policy insights – may also be established.



6. Schedule for G-20 Events in 2008

G-20 Events	Venue	Date
Workshop – Competition in the Financial Sector	Indonesia	February 16-17
1 st Deputies' Meeting	Brasília, Brazil	March 15-16
Workshop – Clean Energy & Global Markets	United Kingdom	May 15-16
Workshop – Fiscal Space for Growth and Social Inclusion	Argentina	June 19-20
2 nd Deputies' Meeting	Rio de Janeiro, Brazil	August 30-31
Finance Ministers` and Central Bank Governors` Meeting	São Paulo, Brazil	November 8-9

7. More Information

In case of any other information needed about the G-20 during 2008, please go to www.g20.org or contact the e-mail g20@bcb.gov.br.

