

# COVID-19 Research Report: Reimagining Accountability and Global Governance

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## Summary

The advent of the global coronavirus pandemic in late 2019 has disrupted the status quo in international politics with bewildering speed. COVID-19 has broken down traditional aspects of social interaction, the economy, and government policy, from global health crisis management to the contraction of the world's advanced and developing economies to the emergence of a new tax-and-spend economic orthodoxy. Global policymakers now face two interconnected crises. Managing and mitigating the damage from the global pandemic have ratcheted global health to the top of the global political agenda and highlighted the need for more proactive policies and pandemic preparedness. The rapid increase of government debt as a proportion of gross domestic product and the ongoing damage done to the economy suggest a fiscal reckoning is on the horizon for the world's advanced economies, underscoring the need for a consensus and unified approach to addressing global tax avoidance by multinational corporations. How and why must international policymakers reimagine their approaches to global health and international taxation at the forthcoming BRICS and G20 summits this year and beyond? To answer this question, this research study investigated the causes of compliance of G20 and BRICS members with their summit commitments. Based on its findings, the authors argue that although global summit institutions including the G20 and BRICS have succeeded in the areas of public health and international taxation since the inception of these organizations, the coronavirus crisis underscores the need for strengthened international cooperation in these interconnected policy areas. As a result, the authors present 10 evidence-based policy recommendations to stimulate further research and assist global policymakers as they contemplate the future of global health and international taxation in the post-COVID19 era.

These recommendations are as follows:

- 1: Adopt a proactive stance on global health.
- 2: Engage in robust multilateralism.
- 3: Make health a key agenda item.
- 4: Increase intra-BRICS cooperation.
- 5: Focus on developing countries.
- 6: Choose multilateralism over unilateralism.
- 7: Forge a consensus on BEPS 2.0.
- 8: Forge a consensus on tax dispute resolution.
- 9: Assist developing countries increase their tax capacities.
- 10: Act against non-cooperative jurisdictions.

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## I. Introduction

The global coronavirus pandemic in late 2019 disrupted the status quo in international politics with bewildering speed. COVID-19 has broken down traditional aspects of social interaction, the economy and government policy, from global health crisis management to the contraction of the world's advanced and developing economies to the emergence of a new tax-and-spend economic orthodoxy.

Global policymakers now face two interconnected crises. First, managing and mitigating the damage of the global pandemic have ratcheted global health to the top of the global political agenda and highlighted the need for more proactive policies and pandemic preparedness. Second, the rapid increase of government debt as a proportion of gross domestic product (GDP) and the ongoing damage done to the economy suggest a fiscal reckoning is on the horizon in the world's advanced economies, underscoring the need for a consensus and unified approach to addressing global tax avoidance by multinational corporations.

How and why should international policymakers reimagine their approaches to global health and international taxation at the forthcoming BRICS and G20 summits this year and beyond? To answer this question, this research study investigated the causes of compliance of G20 and BRICS members with their summit commitments. Based on its findings, the authors argue that although global summit institutions including the G20 and BRICS have succeeded in the areas of public health and international taxation since the inception of these institutions, the coronavirus crisis underscores the need for strengthened international cooperation in these interconnected policy areas. As a result, this report presents 10 evidence-based policy recommendations to stimulate further research and assist global policymakers as they contemplate the future of global health and international taxation in the post-COVID19 era.

First, the G20 should adopt a proactive — rather than reactive — stance on global health policy and crisis management. G20 members took strong action in dealing with the Ebola crisis in 2014, filling the gaps in global health governance. The G20 must maintain an active agenda on global health and should not merely react to global health crises. A proactive approach includes hosting more ministerial meetings on global health, especially in response to the COVID-19 pandemic, in the lead-up to the Riyadh Summit in November 2020 and in the following period leading up to the 2021 summit.

Second, the G20 should adopt a multilateral approach to global health policy and crisis management. Although the world has been able to get through the initial stages of COVID-19, the virus continues to rage. The G20 should engage with international partners in more robust ways and outline concrete commitments that go beyond restatements of past commitment to strengthen international health systems.

Third, the BRICS leaders should make global health a key agenda item for their next summit, with a focus on crisis response to the pandemic, which began in China and that is now ravaging the other four members.

Fourth, the BRICS should ensure that it not only makes commitments that support global initiatives, but also makes commitments that focus on intra-BRICS cooperation, for example, on vaccine research and development.

Fifth, the BRICS should leverage its position as the leading summit institution representing the voice of developing countries, and make commitments that focus on issues of particular importance to low-income developing countries, such as taking cooperative action to secure equitable access and distribution of vaccines and other essential medical supplies.

Sixth, with regard to taxation the G20 should similarly adopt a policy of multilateralism over unilateralism given the nature of global tax competition. Members should forge a consensus on addressing the impacts of digitalization on taxation to close loopholes in the corporate tax system and agree to a common position on the two pillars of the Organisation for Economic Co-operation and Development (OECD)/G20 Inclusive Framework on Base Erosion and Profit Shifting (Inclusive Framework on BEPS). Leaders should strive to agree on the framework by the end of 2020.

Seventh, the G20 must forge a consensus on the new BEPS 2.0, which describes the OECD's new project to address the challenges of digitalization. Following its public consultation process in May 2019, the OECD released a two-pillar framework for achieving a consensus-based solution to the problem of digitalization: first, a coordinated approach to the re-allocation of taxing rights; and second, new rules governing the allocation of a minimum global tax. The G20 subsequently endorsed the framework. However, although international corporate taxation has been a focus of global diplomacy at the G20 and average compliance with its related commitments is strong at 80%, the public correspondence among France, Italy, Spain, the United Kingdom, and the United States since 2019 highlights significant differences between major stakeholders in the process. Given the current financial crisis and the fiscal reckoning prompted by the COVID-19 pandemic, strengthened cooperation and a new consensus on BEPS 2.0 are urgently needed to close loopholes in the international tax system.

Eighth, the G20 should forge a new consensus on international tax dispute resolution. The current tax dispute system is backlogged with cases, fails to deliver prompt determinations and is widely seen as ineffective. G20 leaders should reform tax dispute resolution by implementing mandatory binding arbitration to ensure the system is both fair and efficient to taxpayers and global investors.

Ninth, G20 members should articulate more substantive commitments to assist developing countries to increase their tax capacity to comply with BEPS.

Tenth, global governments should forge a common position on non-cooperative jurisdictions and take concerted action during the forthcoming 2020-21 G20 summits to close loopholes in the international taxation system.

## II. Global Health

### A. G20 Governance of Ebola

The G20 summit was born in 2008 from the need to craft a concerted global response to a growing financial crisis that was ravaging the world economy and financial markets (Kirton, 2013). Since their first summit, G20 leaders have started to tackle more diverse global challenges, including the Ebola health crisis in Africa in 2014. Facing another global health crisis in 2020, this time a deadly pandemic from Asia, the world has given greater attention to global governance bodies such as the G20, as concerted action is needed on an international level to combat the virus. COVID-19 poses steep challenges for domestic and international health systems because national governments and their global governance bodies are at the helm of the response.

#### *1. Conclusions*

Global health has been mentioned by the G20 in its leaders' summit documents since the first meeting in 2008 up to the most recent annual summit in 2019. However, these communiqué conclusions on health remained inconsistent over the years. Overall, leaders dedicated 6,744 words to global health in their summit documents. No summit documents were specifically devoted to a health subject until the 2014 Brisbane Summit, when the G20 dedicated a whole document to

fighting Ebola. In 2014, a total of 664 words and eight paragraphs were dedicated to combating the Ebola crisis. Although the G20 referenced global health emergencies following the Brisbane Summit, Ebola was only explicitly referenced again in the 2019 G20 Osaka Leaders' Declaration.

## ***2. Commitments***

At the onset of the Ebola crisis, which the World Health Organization (WHO) reported as a Public Health Emergency of International Concern (PHEIC) on August 8, 2014, the G20 reacted quickly by taking global action to combat the spread of the virus. Three months later, at their Brisbane Summit in mid November 2014, G20 leaders called on governments to contribute financially to the global effort to tackle the virus as well as on medical researchers to help in the development of vaccines, treatments and diagnostic tools. They made a total of 32 health commitments on fighting Ebola, which accounted for about 16% of all commitments made at Brisbane. The 32 commitments were the second highest number of commitments made there, after the macroeconomic policy ones. But then Ebola quickly disappeared from G20 communiqués until the 2019 Osaka Summit. There G20 leaders made one commitment to continue supporting countries in Africa in dealing with the outbreak with financial and technical assistance (see Appendix A-1).

## ***3. Compliance***

The G20 Research Group and its partner at Center for International Institutions Research at the Russian Academy of National Economy and Public Administration (RANEPA) have assessed compliance with three of the 33 G20 commitments to tackle Ebola. Those three assessments found 70% compliance on the commitment to work with non-governmental stakeholders, 50% on the commitment to share experiences of successfully fighting Ebola with partners, including promoting safe conditions and training for healthcare workers, and 67% on the commitment to work to expedite the effective and targeted disbursements of funds between emergency and long-term needs.

Thus, the G20's average compliance with the three assessed health commitments on Ebola is 62%, which is lower than the average of 68% for all assessed health commitments and the all-subject average of 71%. Although compliance well above 50%, the level varies by G20 member. The only members that achieved full compliance on these three Ebola commitments were Canada, France, Germany, Japan, the United Kingdom, the United States and the European Union, all members of the G7 excluding Italy. The countries that failed to comply with the three Ebola commitments were Argentina and Indonesia (see Appendix A-2).

## ***4. Causes of Compliance***

The Ebola health crisis that spread throughout Liberia, Guinea and Sierra Leone in West Africa in 2014 shocked G20 leaders into action at their Brisbane Summit. The G20, representing over 80% of the world's GDP and two thirds of the world's population, stepped up to fill the gaps in global health governance. Whether the G20 was prompted to take action for humanitarian reasons or did so because it feared that the virus would spread to its members and threaten its citizens, the G20 changed global processes that responded to health crises, while engaging with international partners and mobilizing funding (Poust, 2017).

Another cause of compliance, which may be part of the reason why the G20 was spurred into action, was the gaps in the global governance architecture. Although the WHO was at the helm of the response to the Ebola outbreak, serious fault lines were exposed in its ability to successfully prevent and manage the crisis. After the H1N1 influenza outbreak in 2009, the International Health Regulations Review Committee reviewed the WHO's response, outlined problems with the organization and proposed recommendations for the WHO on how to deal with future health crises (Fidler, 2015). Despite these urgent recommendations, the WHO failed to make those changes, which severely affected its ability to respond to the Ebola crisis in 2014. This further exposed the failures of global health governance and health security. With this major failure of the core

multilateral organization, the G20 assumed a more leadership role and filled the gaps in global health governance (Vana, 2019).

### **5. Corrections**

The G20's leadership in addressing the Ebola crisis and supporting countries dealing with the disease, as well as supporting the WHO and other organizations, was a major success in terms of its conclusions and commitments in 2014, but not afterward, nor was it a success in the low level of compliance throughout. What lessons can be learned from the G20's performance on the outbreak of the Ebola epidemic from 2014 to 2019?

G20 leaders should keep global health on their agenda at every summit. They did not make any commitments on global health until they were shocked into action in 2014. The very nature of the G20 is reactive, as it was born to respond to the 2008 global financial crisis. However, as the G20 continues to play a primary role in global governance, it must work to be less reactive and more proactive in dealing with issues of global concern. Perhaps Ebola was perceived to be less threatening for G20 members following the summit in 2014 and the number of cases declined and disappeared until re-emerging in 2016; or perhaps new global concerns drew more attention such as the migrant crisis, which severely affected the G20 summit's 2015 host, Turkey. For whatever reason, there was a significant drop in the number of commitments dedicated to fighting Ebola and on global health in 2015 and 2016. The G20 must keep health a priority and work with international institutions such as the United Nations, the WHO and the G7 to adequately respond to global health concerns, as the COVID-19 crisis shows (Vana, 2019).

The low level of compliance with the Ebola commitments may flow from the fact that the shock and resulting vulnerabilities were geographically far away from any G20 member, with South Africa being the only one on the same continent as the Ebola outbreak itself. Moreover, even in the epicentre, the numbers of cases and deaths declined to low levels during the year following the Brisbane Summit, which was the period over which compliance was assessed. G20 leaders should learn from this lesson that, in an intensely globalized world, a pandemic shock starting anywhere can quickly spread anywhere, and quickly reappear at or near the initial source or anywhere or everywhere. COVID-19 in 2020 proved these points, in a very dramatic and deadly way.

### **B. G20 Response to COVID-19**

To cope with that COVID-19 pandemic and PHEIC, G20 leaders met for their very first extraordinary summit, and did so in a virtual format, on March 26, 2020. They discussed the medical, economic, social, and political challenges posed by the pandemic and crafted a coordinated response. They made 47 concrete, future-oriented commitments in response to the cross-cutting shock of COVID-19. Of these, 22 dealt directly with health and another six were explicitly linked to health.

After only two months, average compliance with 11 of the 47 commitments assessed by the G20 Research Group and its RANEPa partner was 72%, the same as the all-time all-subject average for the G20 where the average compliance period is 12 months. (For the March summit, compliance was assessed from March 26 to May 26, 2020.) However, on the four health commitments assessed, average compliance was only 62%, the same as compliance with the three assessed commitments on Ebola during the 12 months after they were made (see Appendix A-3). Although G20 leaders on March 26 boldly pledged to “do whatever it takes” to mitigate negative impacts of COVID-19 on society, the communiqué lacked concrete proposals in health. It mainly repeated many of the G20's previous commitments “to strengthen capacities to respond to potential infectious disease outbreaks, increase epidemic preparedness spending, and assess gaps in pandemic preparedness” (Goodman et al., 2020). Furthermore, the G20 failed to identify major shortcomings in the response of international organizations and individual countries in the leadup to the summit. Lastly, the

communiqué failed to “convey a spirit of robust internationalism and multilateral cooperation” as the G20 had previously done in response to the 2008 financial crisis (Goodman et al., 2020).

Thus, as the G20 leaders continue to work toward complying with their commitments in the March statement, and as they prepare to make more at their Riyadh Summit on November 20–21, 2020, the G20 must make more ambitious and more highly binding commitments to tackle COVID-19 head on (Rapson and Kirton, 2020). This is especially the case as G20 members have taken different, fragmented approaches to combating the virus and as the pandemic continues to rage, affecting global economic and global health security. Furthermore, hosting more ministerial meetings on global health, both before and after the 2020 Riyadh Summit, will increase compliance, as it has been proven to be a strong, reliable cause of compliance with leaders’ commitments on the same subjects made at the summit the year such ministerials are held (Rapson and Kirton, 2020). As G20 health ministers started meeting only in 2017, the absence of such meetings in 2014, 2015 and 2016 may help account for the low average of compliance with G20 commitments on health, especially on Ebola. Mounting such ministerials means G20 members should engage with one another and with other global organizations in meaningful, cooperative ways.

### **C. BRICS Governance of Global Health**

The BRICS members of Brazil, Russia, India, China and South Africa are all important members of the G20. Their leaders began having stand-alone summits (initially without South Africa) in 2009 and a second annual summit on the sidelines of the G20 one soon after.

#### ***1. Deliberation***

There has been a general increase in BRICS deliberation on health at the annual stand-alone summits, with several peaks in performance. At the first summit in Yekaterinburg in 2009, health took only 66 words, for 6.8% of the total. This increased to 177 words in 2010 at Brasilia and 382 words at Sanya in 2011, and a first peak at 720 words in 2012 in New Delhi. Health deliberation then dropped to 421 and 426 at the Durban in 2013 and Fortaleza in 2014, followed by a surge to the highest peak in 2015 at Ufa with 1,335 words for 7% of the total. BRICS performance then declined to 536 words in 2016 at Goa, followed by a third peak in 2017 at Xiamen with 956 words, for 13% of the total. It took 645 words at the 2019 Brasilia Summit (see Appendix B-1).

#### ***2. Decision Making***

In terms of decision making through future-oriented, politically binding commitments, BRICS health performance has been relatively weak. From 2009 to 2019, over 11 annual summits, the BRICS made 726 commitments on all subjects. Only 16 of these were health-related. In the first two summits, the BRICS made no health-related commitments. It made one at each summit in 2011 and 2012, but none in 2013 and 2014. It peaked in 2015 with six commitments, followed by one in 2016. It peaked again in 2017 with six commitments, followed by one in 2018 and none in 2019.

Compared to other issue areas in terms of BRICS decision making, health ranks in the middle. BRICS decision making on international cooperation ranks first among all issue areas, with 130 commitments made over the past 11 summits. It is followed by the issue areas of development, regional security, crime and corruption, trade, digital economy, macroeconomics and reform of international financial institutions (see Appendix B-2).

#### ***3. Delivery***

BRICS delivery of its health commitments, measured by the compliance by its members, has been strong. Of the 16 health commitments made, five have been assessed for compliance by the BRICS Research Group. In 2011, the assessed commitment focused on cooperation in public health including the fight against HIV; all countries fully complied with it, thus producing an average compliance of 100%. In 2015, the assessed commitment focused on supporting the international

response to the Ebola virus crisis, with average compliance was 70%. Russia, China and Saudi Arabia achieved full compliance; Brazil achieved partial compliance; and India did not comply. In 2016, the assessed commitment focused on antimicrobial resistance (AMR), with average of 70%. Here, China and Saudi Arabia had full compliance, and the other three members partially complied. In 2017, the commitment focused on surveillance capacity and medical services to combat infectious diseases and non-communicable diseases, with full compliance among all members. In 2018, the assessed commitment focused on cooperation on vaccine research and development with BRICS countries, again with full compliance from all members. Overall, average compliance with the five health commitments assessed was high, at 88%. Yet the one on Ebola was the lowest, at 70%, ranking similar to the G20's compliance with its Ebola commitments.

By member, the strongest overall health compliance performers were China and South Africa, which averaged 100%. Then came Russia with 90% and Brazil with 80%. The lowest performer was India at only 50% (see Appendix B-3).

By issue area, health ranked fifth in compliance. The highest was tax, where two commitments were assessed for average compliance of 100%. This was followed by information and communications technologies at 97%, food and agriculture at 95%, and energy at 92%. Health ranked fifth alongside development and terrorism at 88% (see Appendix B-3).

#### ***4. Causes of Compliance***

Building on the work of Marina Larionova and John Kirton (2018) on international summit governance accountability, who have identified catalysts embedded in commitments that affect compliance, the BRICS's health commitments were analyzed. However, due to the small number of assessed commitments, only preliminary analysis was possible. Two of the five commitments contained at least one compliance catalyst. The 2016 commitment on AMR contained three compliance catalysts, and the 2018 commitment on vaccines contained one catalyst. The mere presence of a compliance catalyst had no significant effect on compliance. In fact, the 2016 commitment containing three catalysts was one of the lower performing commitments. However, the 2018 commitment contained the catalyst of a reference to working with or in a particular country or region and had full compliance among all members: it specified coordinating cooperation on vaccine research and development specifically within BRICS countries. Thus, it is possible that pointing out a specific set of countries for a commitment allows for greater clarity and thus facilitates compliance.

Moreover, health commitments that focused on intra-BRICS cooperation tended to have higher compliance than those focused on supporting international responses. Of the five commitments assessed, the two lowest performing ones contained language that suggested global cooperation. For example, the 2015 commitment stated that BRICS members will “do what is necessary individually and collectively to support [the international response to Ebola virus] addressing emergency and longer-term systematic issues and gaps in preparedness and response on national, regional and global level.” The focus on the international response to Ebola and the commitment to cooperate on national, regional and global levels did not point to any BRICS-specific courses of action and were vague in content. Similarly, the 2016 commitment stated that the BRICS “welcome[d] the High Level Meeting on Antimicrobial Resistance during UNGA-71 [71st United Nations General Assembly]” and that the BRICS “will seek to identify possibilities for cooperation among our health and/or regulatory authorities.” Here, there was more specificity with regards to BRICS cooperation among their health and regulatory authorities. However, the overall context of this commitment was within the UNGA, and thus sought to support another global initiative. In contrast, the three commitments with full compliance among all members did not refer to international arrangements beyond the BRICS. The 2011 commitment focused on BRICS cooperation in public health including HIV/AIDS; the 2017 commitment focused on BRICS countries improving surveillance capacity for a variety of diseases; and the 2018 commitment specifically called for intra-BRICS cooperation on



vaccine research and development. Thus higher compliance could be achieved from commitments that focus solely on intra-BRICS cooperation, without emphasis on supporting extra-BRICS, international initiatives.

### **5. Corrections**

Although the data are not comprehensive enough to reveal possible causal relationships, the pattern of BRICS compliance on health offers valuable insights for the group's contribution to the international response to the current coronavirus pandemic.

First, BRICS performance on health governance has been relatively strong, especially in recent years. The BRICS agenda has expanded from core economic and development issues into a wide array of other issue areas of global governance, including health, climate change, and regional security. Given the nature of the coronavirus pandemic, particularly its disproportionate effect on the most vulnerable populations of low-income developing countries, BRICS leaders should first and foremost expand their focus on global health and the pandemic in their upcoming summits to offer a developing country-perspective to the global crisis.

Second, and on a related note, given high compliance with the health commitments that focus on intra-BRICS cooperation, in responding to the pandemic, the BRICS should make commitments that focus on cooperation initiatives between its members, for example on vaccine research and development.

Third, one of the most pressing issues for developing countries relates to access to essential medical supplies and to vaccines once they become available. Developed countries such as the United States have already begun pre-ordering large doses of vaccines for themselves. This could turn into a bidding war that drives up prices, leaving few vaccines available for developing countries. Not only is this “vaccine nationalism” unhelpful for curbing the global spread of the disease, but it also disproportionately affects the poorest countries (Weintraub et al., 2020). Thus, the BRICS should leverage its position as the leading summit institution representing the voice of developing countries and its members' specialized capabilities in vaccine production, and make commitments that focus on cooperative action to secure equitable access and distribution of vaccines and other essential medical supplies.

## **III. International Corporate Taxation**

The advent of the global coronavirus pandemic has had profound implications for international corporate tax policy reform and multilateral cooperation. Government-initiated lockdowns in early 2020 accelerated a secular trend in consumer preferences that has shifted demand from traditional bricks-and-mortar retail to e-commerce. Amazon Inc., for example, reported revenues of \$88.9 billion in the second quarter of 2020 despite lockdown restrictions, 40% higher than the same quarter in 2019 and more than double its year-on-year profit (Lee, 2020). Overall, in the first six months of 2020, American consumers spent \$347.26 billion on e-commerce, representing a 30.1% increase from the same period in 2019 (Ali, 2020).

The shift to e-commerce and the increasing digitalization of the economy accelerated by the coronavirus pandemic has cast more light on the urgent need for fair rules governing global taxation as transnational corporations like Amazon have become adept at minimizing their tax liabilities. Tax experts estimate that nearly \$7.5 trillion of corporate money is kept offshore by multinational corporations that operate using digital platforms (Kerzner and Chodikoff, 2016). According to one study, on average 40% of multinational corporate profits are shifted from the source of productive activity to tax havens, avoiding tax liabilities where the underlying productive activities actually take place (Tørsløv et al., 2018). Current literature has established how corporate tax avoidance increases

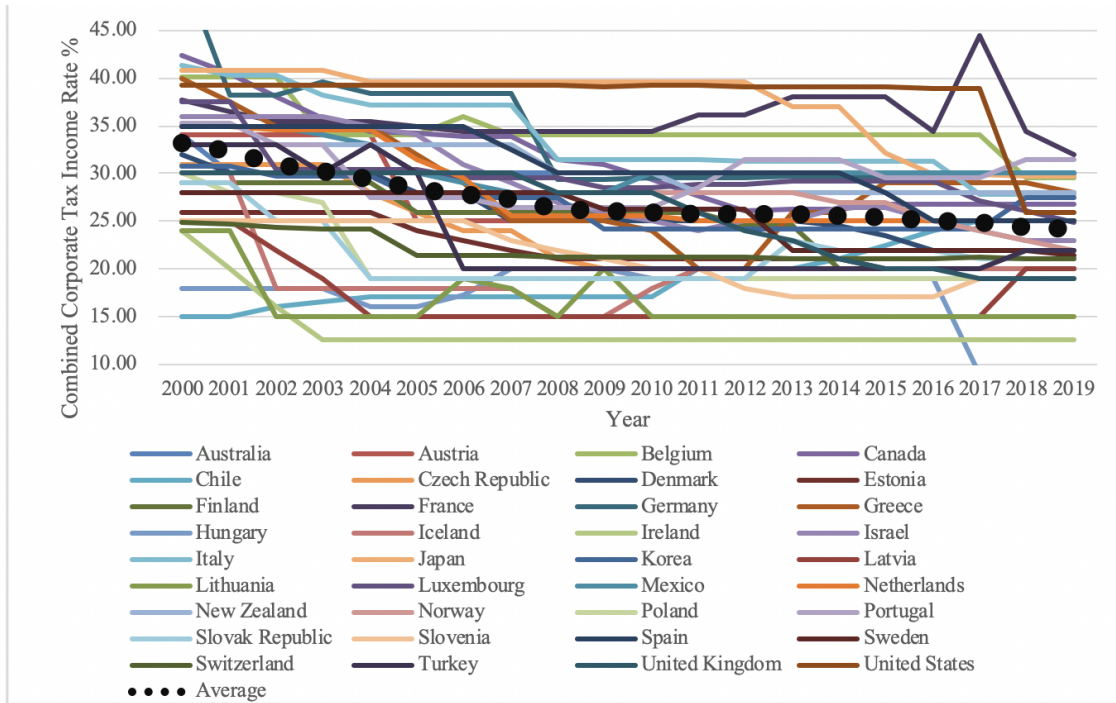
domestic socioeconomic inequality, the declining redistributive capacity of nation-states and the malign impact on growth, estimated at a 1.5% annual loss in GDP, providing clear evidence that global tax competition causes social and economic harm (Piketty et al., 2011; Piketty & Saez, 2012; Piketty, 2013; Milanovic, 2016). Coronavirus has accelerated the trend toward digitalization, threatening a diminution of the state's capacity to collect taxes and undertake an adequate public policy response.

Since the election of U.S. president Donald Trump in 2016, Franco-American tensions over digital taxation, in which the United States accused France of seeking to appropriate profits from American multinational corporations, have highlighted the competitive dynamic that underlies the global politics of international corporate taxation driven by the “fixed pie” nature of international taxation, in that nation-states compete for their share of a global tax base that remains fixed in size in absolute terms, and intra-national cooperation does not necessarily generate further tax revenues. Put another way, to remain open to foreign investment, on the supply side of tax policy, national governments competitively underbid each other for corporate tax revenues in a “race to the bottom” by lowering their national corporate tax rates and offering other tax-based incentives to multinational corporations (Piketty et al., 2011; Piketty & Saez, 2012; Piketty, 2013). One study shows that from the early 1980s to the late 1990s average global statutory rates fell from 48% to 35% (Devereux et al., 2002: 451). Moreover, the OECD reports that average corporate tax rates among its members declined from an average of approximately 33% in 2000 to 24% in 2019 (see Figure 1).

On the demand side of policy, tax-paying multinational corporations engage in sophisticated tax planning to artificially shift their profits away from the locus of economic activity to the lowest-tax jurisdiction internationally that benefit from lower corporate tax rates and the availability of legal loopholes. Only a few firms benefit from such global tax competition, since the largest 0.001% of all firms earn a third of corporate profits, with profit shifting isolated to the top bracket (Wier & Reynolds, 2018). In the fiscal realm, as D.H. Robertson predicted long ago, multinational corporations have become “islands of conscious power in an ocean of unconscious cooperation” among nation-states (quoted in Hymer, 1970). The scale of corporate tax avoidance underscores the limitations of the existing global tax policy paradigm.

Moreover, the new tax-and-spend economic orthodoxy in the advanced industrialized economies occasioned by the coronavirus pandemic portends a fiscal reckoning in the near future. Debt-to-GDP ratios have skyrocketed since the first quarter of 2020 as a result of government-funded furlough schemes for the unemployed and subsidies for businesses paralyzed by mandated lockdown. According to the Organisation for Economic Co-operation and Development (OECD), the advanced economies have added \$17 trillion to their government liabilities since the coronavirus crisis began, increasing average public debt from an average of 109% of GDP to 137% in 2020 (Giles & Harding, 2020). Already, advanced economies such as the United Kingdom are contemplating plans to raise corporate taxation to help raise £30 billion to fill a fiscal gap, suggesting similar policies among G20 members (Reuters, 2020).

The fiscal implications of the coronavirus crisis come at a time of friction in global tax governance. Since the Washington Summit in 2008, G20 members have assumed a pivotal role in reforming the architecture of international corporate taxation. The transatlantic tax scandals involving digital multinational corporations such as Amazon, Apple and Google in December 2012 illuminated the scope and scale of corporate tax avoidance and its erosion of the tax base in the advanced economies, which estimated at \$250 billion annually. G20 leaders at the Los Cabos Summit in June 2012 tasked the OECD with developing and implementing a new taxation regime known as the Inclusive Framework on BEPS. By September 2020, BEPS had 137 members representing over 95% of global GDP, and the process of implementation is ongoing (see Figure 2).



Source: OECD data valid as of February 2020

Figure 1. Combined Corporate Income Tax Rate of Members of the Organisation for Economic Co-operation and Development, 2000–2019

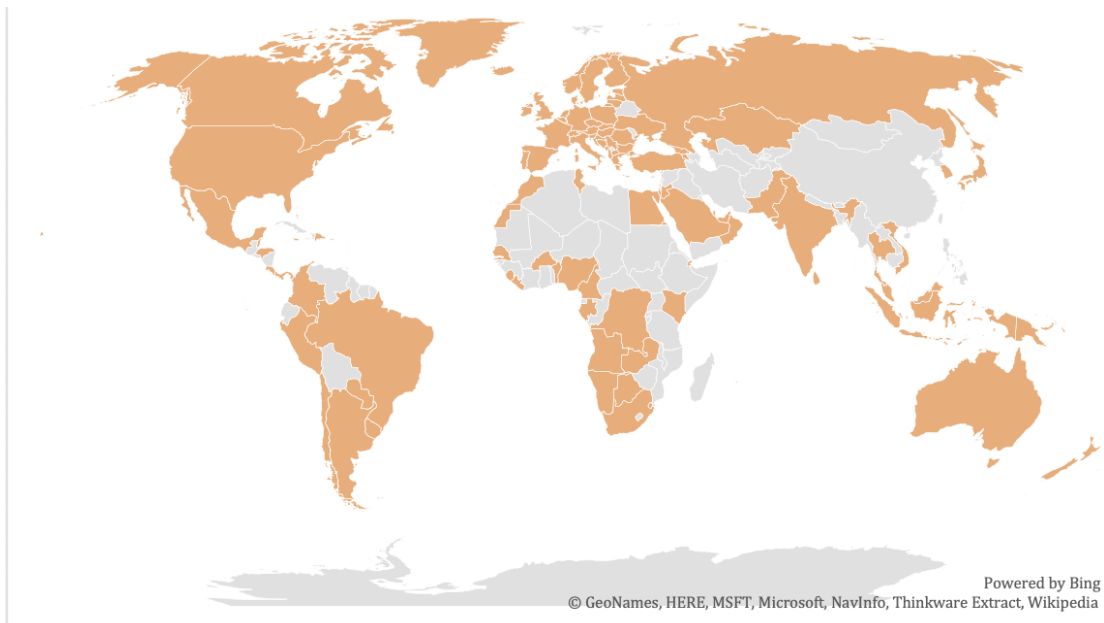


Figure 2. Members of the BEPS Inclusive Framework

Since late 2019, however, disagreements between the United States and the United Kingdom, Spain, France and Italy over the policies to address the tax challenges arising from digitalization have risked undermining the BEPS Inclusive Framework, as countries are increasingly electing to adopt unilateral measures instead of a multilateral solution. In light of the renewed spotlight on global corporate tax reform, the G20 Saudi Presidency in 2020 has pledged to find a consensus-based solution to address

the tax challenges arising from the digitalization of the economy. Therefore, international taxation is among the core topics of the third and final theme of the Riyadh Summit entitled “Shaping New Frontiers.”

### **1. Conclusions**

Although international taxation has been a consistent feature in G20 deliberations since 2008, its proportional weight in the communiqué conclusions at each summit has been inconsistent. Overall, leaders have dedicated 11,898 words to international tax in their summit documents, which represents approximately 5% of the total number of words. In absolute terms, the number of conclusions per summit that referred to international taxation peaked at the Hamburg Summit in 2017 at 5,029 words (14.5%), followed by the Hangzhou Summit in 2016 at 3,042 (18.8%), and the Buenos Aires Summit in 2018 at 1,420 (16.7%). Thrice — at the 2009 London Summit, the 2010 Seoul Summit and the 2014 Brisbane Summit — there were no words on international taxation.

### **2. Commitments**

These communiqué conclusions contained 115 collective, politically binding, future-oriented commitments on international taxation, for approximately 5% of the total commitments on all subjects. G20 leaders made their first tax commitment at the 2008 Washington Summit, pledging to work with the OECD and address the lack of transparency in global tax governance owing to the failure of information sharing. Eight international tax commitments were made on average at each summit between 2008 and 2019. They ranged from a low of one (2%) in Toronto in 2010 to a high of 25 (9%) at St. Petersburg in 2013.

Washington in 2008 produced two commitments (2%), London in 2009 had five (4%), Pittsburgh in 2009 two (2%), and Toronto in 2010 one (2%). Then Seoul in 2010 had four (3%), Cannes in 2011 two (1%), and Los Cabos in 2012 produced five (3%). They surged to 25 (9%) at St. Petersburg in 2013 and then plummeted to nine (4%) at Brisbane in 2014 and two (1%) at Antalya in 2015. Following this record low, they rose to nine (4%) in Hangzhou in 2016, 32 (6%) at Hamburg in 2017, followed by 11 (9%) in Buenos Aires in 2018 and six (4.5%) at Osaka in 2019.

### **3. Compliance**

The G20 Research Group and its RANEPa partners have assessed G20 members’ compliance with 32 of these 115 tax commitments and found an average of 80% compliance, well above the G20’s all-subject average of 71% (see Figure 3).<sup>1</sup> Although average compliance is strong, levels of compliance have varied since the start. At 98%, G20 compliance was highest following the Toronto Summit in 2010, where leaders committed to designing and implementing a structure for resolving financial crises without burdening taxpayers. This was followed by 97% following Hamburg in 2017 and 92% following Antalya in 2015. The lowest compliance, 53%, was with commitments made at the London Summit in 2009, where leaders pledged to take countermeasures against non-cooperative tax jurisdictions. This was followed by Cannes in 2011 (54%) and St. Petersburg in 2013 (71%). Overall, since the dips following the London and Cannes summits, compliance has steadily risen, with Los Cabos in 2012 at 75%, St. Petersburg in 2013 at 71%, Brisbane in 2014 at 85%, Antalya in 2015 92%, Hangzhou in 2016 at 84%, Hamburg in 2017 97% and Buenos Aires in 2018 at 78%.

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<sup>1</sup> Compliance scores in this section were calculated by one of the report’s coauthors and do not represent the final determination by the G20 Research Group or RANEPa.

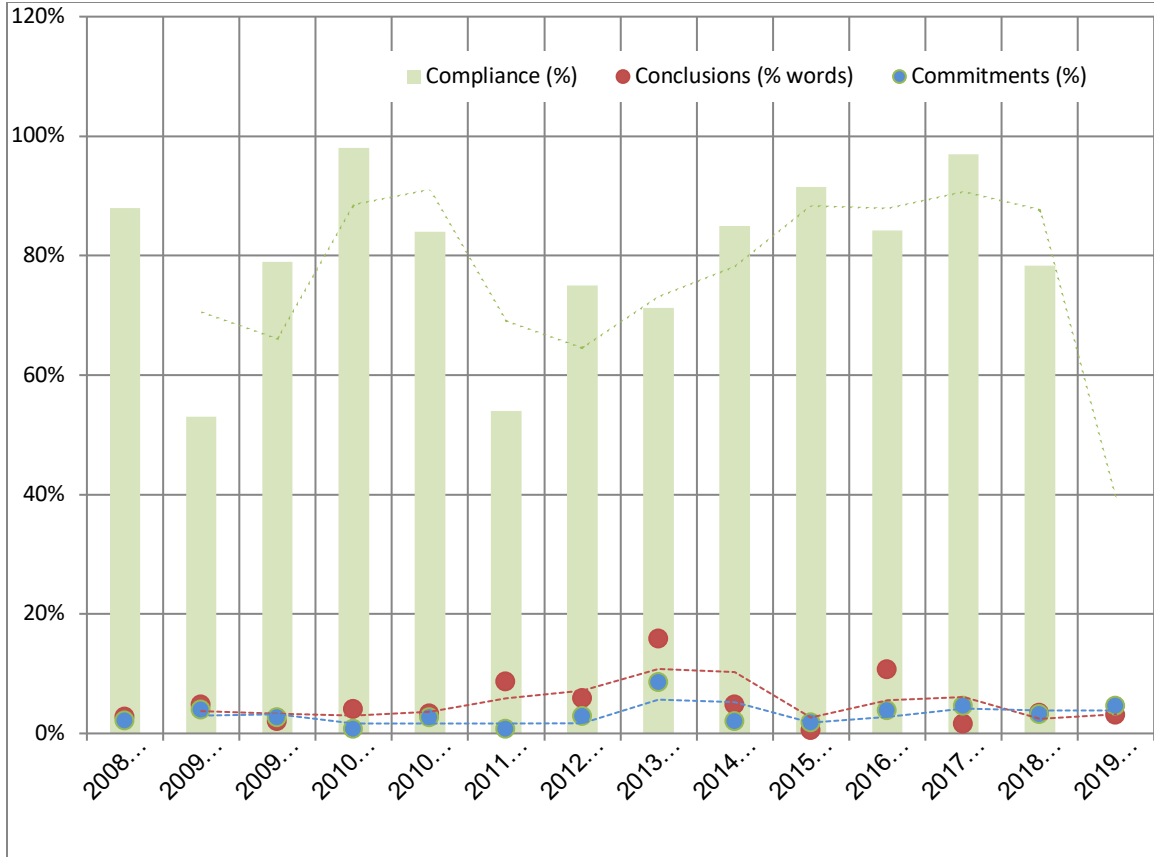


Figure 3. International Tax Conclusions, Commitments and Compliance by G20 Members, 2008–2019

**4. Causes of Compliance**

The first part of this analysis considers the summit-specific causes of compliance. Since there has been no ministerial meeting focused on international taxation to date, this inquiry focuses exclusively on the causal relationship between the overall proportion of tax-related conclusions and commitments (considered disjunctively in the analysis) at each summit and the compliance scores over the following period until the next summit. On international taxation, there is a negative relationship between the proportion of conclusions dedicated to tax and positive compliance at  $-0.44$  that is significant at 1.35%. Similarly, there is a modest negative relationship between the proportion of commitments dedicated to tax and positive compliance at  $-0.15$ , although at 6.17% it is not considered significant. One reason may be the limited number of summits (14) under consideration. Nonetheless, the “fewer for focus” is the message about how many tax commitments summits should make to increase compliance.

The second part of the analysis looked at the specific compliance catalysts embedded in commitments that may improve or hinder compliance outcomes (Larionova and Kirton, 2018). This study assessed 23 compliance catalysts that were coded into the international tax compliance data. Only 17 were contained in at least one of the commitments assessed for compliance. The results were as follows.

First, a correlation analysis showed that most compliance catalysts had no statistically significant effects on compliance. Notably, the commitment catalyst of referencing other international organizations had a moderate negative correlation coefficient of  $-0.35$  and was significant at 4.87%.

Average compliance for tax-related commitments with at least one compliance catalyst was 79.6%, lower than the overall average of 81%. The average for summits with zero compliance catalysts was 91.5%, itself a paradoxical result. However, only two commitments had no embedded catalysts, representing a mere 6.25% of the total.

Next, multiple regression analyses were used to estimate the simultaneous impact of each of the 17 catalysts on compliance. They revealed two significant variables. First, the results showed that the high binding level of a commitment's verb lowered compliance by 24.1%. One implication of this result may be that G20 members tend to comply less with commitments that are more forcefully expressed. A key example can be found in members' commitments to take action against non-cooperative jurisdictions, in which members used strong verbal phrases such as "we commit to/are committed to" or "we will implement," as opposed to weak verbal phrases such as "we will work to," "we reaffirm," "we endorse" and "we support," but failed to take meaningful action in the year following the summit. Second, the results showed that reference to another international organization other than the OECD reduced compliance by 39.5%. The result may imply that delegating commitments to institutions other than the OECD, which is the core global institution for the issue of tax, may result in relatively poor compliance scores.

### ***5. Corrections***

In sum, this analysis of international tax compliance by G20 members since 2008 offers some important empirical insights. At 80%, compliance with international tax commitments is strong, and well above the average across all global policy subject areas that the G20 summit has made commitments on. Moreover, this study found evidence of a statistically significant negative relationship between the proportion of summit conclusions dedicated to tax and positive compliance trends. One causal implication is that fewer words in G20 outcome documents correspond with more compliance actions by members.

Nevertheless, the findings do not provide compelling evidence that embedding compliance catalysts in commitments related to tax has a statistically significant effect on members' compliance. The evidence suggests that the compliance was hindered by the strength of a commitments' verb and reference to an international organization other than the core one. The results imply that leaders should focus less on embedding forcefully binding verbs when making their commitments and cease delegating tax commitments to non-core international tax institutions.

To live up to their stated ambition of deriving a consensus-based solution to corporate tax reform at Riyadh in 2020, G20 leaders should therefore focus on the substantive deficiencies in compliance revealed by this data. First, members should strive to forge a consensus on addressing the impact of digitalization on taxation to close loopholes in the corporate tax system and agree to a common position on the two pillars of the BEPS Inclusive Framework. They should agree on the BEPS Inclusive Framework by the end of 2020. Second, G20 members should articulate more substantive commitments on assisting developing countries to increase their tax capacity to comply with BEPS. Third, members should forge a common position on non-cooperative jurisdictions and take concerted action in the coming year.

## **IV. Recommendations**

Although global summit institutions including the G20 and BRICs have succeeded in the areas of public health and international taxation in the past, the coronavirus crisis underscores the need for strengthened international cooperation in these interconnected policy areas. The 10 policy recommendations presented here provide a roadmap for how to improve the effectiveness and accountability of global summit institutions in managing the crisis and its aftermath.

***1. Adopt a proactive stance on global health.***

G20 members took strong action in committing to deal with the Ebola crisis in 2014, filling the gaps in global health governance. The G20 must maintain active ongoing agendas on global health and should not merely react to global health crises only when they arise. This includes hosting more ministerial meetings on global health each year, especially in response to the current COVID-19 pandemic, in the leadup to the 2020 Riyadh Summit and in the period before the 2021 summit.

***2. Engage in Robust Multilateralism.***

Although the world has been able to get through the initial stages of COVID-19, the virus continues to rage. The G20 should engage with international partners in a more robust way, and outline concrete commitments that go beyond restatements of past commitments to strengthen international health systems.

***3. Make health a key agenda item.***

The BRICS should make global health a key agenda item for its next summit, with a focus on responding to the pandemic.

***4. Increase intra-BRICS cooperation.***

The BRICS should not only make commitments that support global initiatives, but also make commitments to increase intra-BRICS cooperation, for example, on vaccine research and development.

***5. Focus on developing countries.***

The BRICS should leverage its position as the leading summit institution representing the voice of developing countries to make commitments that focus on issues of particular importance to low-income developing countries, for example, taking cooperative action to secure equitable access and distribution of vaccines and other essential medical supplies.

***6. Choose multilateralism over unilateralism.***

G20 members should seek a consensus on addressing the impact of digitalization on taxation to close loopholes in the corporate tax system, agree to a common position on the two pillars of the BEPS Inclusive Framework and, by the end of 2020, agree on the BEPS Inclusive Framework.

***7. Forge a consensus on BEPS 2.0.***

G20 members should build on their strong compliance with their international taxation commitments to forge a new consensus of cooperation on international taxation and BEPS 2.0, especially given the fiscal reckoning prompted by the COVID-19 pandemic.

***8. Forge a consensus on tax dispute resolution.***

G20 leaders should consider reforming tax dispute resolution mechanisms to ensure the system is both fair and efficient and manage the backlog of disputes over double taxation.

***9. Assist developing countries increase their tax capacities.***

G20 members should articulate more substantive commitments to assisting developing countries to increase their tax capacity to comply with the BEPS Inclusive Framework.

***10. Act against non-cooperative jurisdictions.***

G20 members should agree on a common position on non-cooperative jurisdictions and close loopholes in the international taxation system.

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## Appendix A-1: G20 Commitments on Ebola

Summit	# commitments	Ebola	Antimicrobial resistance	Systems	Polio	Universal health coverage	Obesity	Global Fund/ financing	Ageing populations	AIDS, tuberculosis, malaria
2014 Brisbane	33	32	1							
2015 Antalya	2		2							
2016 Hangzhou	3		3							
2017 Hamburg	19		10	8	1					
2018 Buenos Aires	4			1		1	1	1		
2019 Osaka	14	1	2	4	1			1	4	1
Total	75	33	18	13	2	1	1	2	4	1



Appendix A-3: 2020 G20 Extraordinary Virtual Summit Interim Compliance Scores on Health

	Argentina	Australia	Brazil	Canada	China	France	Germany	India	Indonesia	Italy	Japan	Korea	Mexico	Russia	Saudi Arabia	South Africa	Turkey	United Kingdom	United States	European Union	Average	
1 Health: WHO strengthening	0	+1	-1	+1	+1	+1	+1	+1	0	0	0	+1	-1	0	+1	0	+1	0	-1	+1	+0.35	68%
2 Health: System strengthening	0	+1	0	+1	+1	+1	+1	0	0	+1	+1	+1	-1	0	+1	0	0	+1	+1	+1	+0.55	78%
3 Health: Digital technologies	0	0	0	-1	-1	-1	0	+1	0	0	0	0	-1	0	-1	-1	-1	0	0	0	-0.30	35%
4 Health: Research and development	0	+1	0	+1	0	+1	+1	-1	0	0	+1	0	+1	0	+1	0	+1	+1	-1	+1	+0.40	70%
Average	0	+0.75	-0.25	+0.75	+0.25	+0.75	+0.75	+0.25	0	+0.25	+0.50	+0.50	-0.5	0	+0.75	-0.25	+0.25	+0.50	-0.25	+0.75	+0.30	
	50%	87%	37%	87%	62%	87%	87%	62%	50%	62%	75%	75%	25%	50%	87%	37%	62%	75%	37%	87%	62%	

## Appendix B-1: Health Deliberation in BRICS Summit Documents

	Words		Paragraphs		Documents		Dedicated documents
	#	%	#	Total	#	%	#
2009 Yekaterinburg	66	6.8%	1	5.9%	1	100%	0
2010 Brasilia	177	7.3%	2	5.9%	1	100%	0
2011 Sanya	382	14.4%	7	20%	1	100%	0
2012 New Delhi	720	16.3%	10	14.5%	1	100%	0
2013 Durban	421	9.5%	5	7.5%	1	100%	0
2014 Fortaleza	426	1.9%	5	1.0%	1	33%	0
2015 Ufa	1335	7.0%	31	5.5%	3	100%	0
2016 Goa	536	6.0%	20	7.8%	2	100%	0
2017 Xiamen	956	13.0%	8	10%	1	100%	0
2018 Johannesburg	821	11.6%	11	10.2%	1	100%	0
2019 Brasilia	645	10.4	7	9.2%	1	100%	0
Average	590	9.5%	9.7	8.9%	1.3	93.9%	0

## Appendix B-2: BRICS Commitments on All Issues

Issue Area	Total	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Total	726	N=16	N=45	N=38	N=32	N=47	N=97*	N=130	N=45	N=128	N=73	N=75
International cooperation	130	4	4	4	3	6	24	30	4	23	18	10
Development	64	1	7	1	3	11	6	4	7	14	6	4
Regional security	51	0	0	1	0	6	9	6	3	9	7	10
Crime and corruption	49	0	0	0	1	1	9	10	2	9	6	11
Trade	47	0	4	5	9	4	4	5	2	7	4	3
Information and communications technologies/Digital economy	42	1	0	2	0	0	2	17	3	12	3	2
Macroeconomic	41	0	4	5	1	4	10	6	3	3	3	2
Reform of international financial institutions	31	1	4	1	2	8	1	3	2	4	2	3
Energy	29	5	11	1	2	0	0	0	0	6	2	2
Food and agriculture	27	0	0	1	1	0	4	17	0	1	3	0
Socioeconomic	25	1	1	4	2	0	9	5	0	1	2	0
Terrorism	24	0	0	1	1	2	2	1	5	8	3	1
Finance	20	0	0	0	0	0	0	6	4	5	5	0
Climate change	17	0	2	6	1	1	0	1	1	2	0	3
Health	16	0	0	1	1	0	0	6	1	6	1	0
Human rights	15	0	0	1	0	1	5	5	0	2	0	1
Education	15	0	3	0	0	0	4	5	1	2	0	0
Environment	14	0	0	0	1	0	3	1	0	3	3	3
Non-proliferation	13	0	0	0	0	1	2	0	1	2	0	7
Peace and security	11	0	0	0	0	0	0	0	4	4	0	3
Financial regulation	11	0	2	2	0	0	0	0	1	3	0	3
Reform of intergovernmental organizations	6	0	0	0	0	0	0	0	0	0		6
Culture	5	0	0	0	0	0	0	2	0	2	1	0
Natural disasters	4	1	2	1	0	0	0	0	0	0	0	0
Political issues	4	1	0	0	3	0	0	0	0	0	0	0
International taxation	4	0	0	0	0	0	0	0	0	0	4	0
Good governance	3	1	1	0	0	1	0	0	0	0	0	0
Microeconomics	2	0	0	0	0	1	0	0	0	0	0	1
Gender	1	0	0	0	0	0	0	0	1	0	0	0
Labour and employment	1	0	0	0	0	0	1	0	0	0	0	0
Conflict prevention	1	0	0	0	0	0	1	0	0	0	0	0
Accountability	1	0	0	1	0	0	0	0	0	0	0	0

## Appendix B-3: BRICS Compliance

### BRICS Health Compliance

Year	Text	Average	Brazil	Russia	India	China	South Africa
2011	[We underscore our firm commitment to strengthen] dialogue and cooperation in the field of] public health, including the fight against HIV.	+1.00	+1	+1	+1	+1	+1
2015	We confirm our commitment to do what is necessary individually and collectively to support these efforts [international response to Ebola virus disease] addressing emergency and longer-term systematic issues and gaps in preparedness and response on national, regional and global level.	+0.40	0	+1	-1	+1	+1
2016	[We welcome the High Level meeting on Anti-Microbial Resistance (AMR) during UNGA-71 [71st United Nations General Assembly], which addresses the serious threat that AMR poses to public health, growth and global economic stability.] We will seek to identify possibilities for cooperation among our health and/or regulatory authorities, with a view to share best practices and discuss challenges, as well as identifying potential areas for convergence	+0.40	0	0	0	+1	+1
2017	We agree to improve surveillance capacity and medical services to combat infectious diseases, including Ebola, HIV/AIDS, Tuberculosis and Malaria, as well as non-communicable diseases	+1	+1	+1	+1	+1	+1
2018	We commit to strengthening the coordination and cooperation on vaccine research and development within BRICS countries.	+1	+1	+1	+1	+1	+1
Overall Average		+0.76 88%	+0.60 80%	+0.80 90%	+0.50 50%	+1.00 100%	+1.00 100%

### BRICS Compliance by Issue

Issue	# commitments assessed	Average compliance
Tax	2	+1.00
Information and communications technologies	3	+0.93
Food and agriculture	2	+0.90
Energy	4	+0.84
Health	5	+0.76
Development	9	+0.76
Terrorism	5	+0.76
Climate change	4	+0.70
Crime and corruption	4	+0.55
Finance	4	+0.45
Human rights	2	+0.40
Education	1	+0.40
Trade	8	+0.21
Reform of international financial institutions	2	+0.20
Regional security	4	-0.16