The G20 and development

Barry Carin¹

Centre for International Governance Innovation

The G20 development agenda is central to the issues facing the G20. Development issues and global economic issues can no longer be treated in isolation.2

Introduction

Robin Davies described the G20 development agenda as ‘invertebrate, flabby and toothless’. Even sympathetic observers describe it as ‘diffuse, lacking a coherent narrative and disconnected from the central concerns of G20 leaders and finance ministers’.3 Andrei Bokarev is more charitable: ‘It is not always clear what G20 is doing on the development front, what concrete steps and decisions have been taken, what particular results it has helped to achieve.’4

This note suggests some helpful outcomes:5

• Preparing the ground for initiatives re food security, financial inclusion, infrastructure, and domestic resource mobilisation.6
• Coordination with other G20 work streams.
• A Plan B for climate finance.
• A G20 contribution for Post-2015 Development Goals to succeed the Millennium Development Goals (MDGs).

Specific concrete actions

What tools are in the G20 toolbox, aside from statements for the record, commitments to mobilise resources in international financial institutions, pledges to put their own domestic affairs in order, and creation of new international institutions (for example, the Financial Stability Board). The G20 prepares the ground for future action by commissioning studies for impending deliberation, requesting reports from international organisations (for example, on inefficient fossil fuel subsidies), or from a key actor.7 Prime Minister Abbott could request
other leaders to present a report to discuss at Brisbane. Australia could devise terms of reference for future reports, to be discussed at the 2015 summit in Turkey.

There are already many G20 initiatives in play. Examples are remittances facilitation and project preparation facilities (PPFs). Domestic resource mobilisation is largely a matter of tax administration and tax base erosion and profit shifting (BEPS), issues in the purview of finance ministries and the G20 Anti-Corruption Working Group. Worthy initiatives include:

- **Food security**: invite Brazil to propose options for new institutional arrangements (reserve stocks and emergency sharing arrangements) to dampen commodity price volatility.

- **Financial inclusion**: invite India and Mexico to jointly present options for new institutional arrangements, such as a ‘Global Microfinance Facility’ in the World Bank Group to lever new Official Development Assistance (ODA) commitments and private sector investment in the microfinance sector.

- **Infrastructure**: invite Turkey (2015 G20 presidency) to work with the World Bank to prepare a ranking (triple bottom line) of projects for potential public–private partnerships.

- **Domestic resource mobilisation**: invite the United States and China to prepare a joint proposal for international cooperative tax arrangements to deal with tax evasion, money laundering and corrupt practices.

See the diagram below.
Figure 1: Specific actions at Brisbane

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<td>Food Security</td>
<td>Invite Brazil to propose options for new institutional arrangements to dampen commodity price volatility</td>
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<td>Financial Inclusion</td>
<td>Invite India and Mexico to present options for new institutional arrangements to increase the availability of basic financial services</td>
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<td>Infrastructure</td>
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<td>Task Finance Ministers with developing a plan on how to both spend the money in G20 countries and how to raise it</td>
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<td>Provide a report to the UN, combining vision and principles, and options for a limited number of concrete and time-bound Development Goals</td>
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**Coordination with other G20 work streams**

President Putin noted ‘all of the issues on the agenda … proposed are closely interlinked and complement each other. For example, creating a good environment for investment growth automatically includes adjusting financial instruments, carrying out structural reform, and fighting corruption … the investment issue is also closely linked to another financial priority – managing state debt.’

Development ministers don’t control the necessary policy instruments. Trade access, infrastructure, agricultural development, tax policy, policies on commodity and food price
volatility, and anti-corruption are all handled by other ministers. The Development Working Group (DWG) is constrained in every priority area. Food security involves six other Ministries: Agriculture (subsidies), Energy (biofuel policies), Finance (regulation of derivatives markets, and investment), Public Works (rural infrastructure), Welfare (safety nets) and Science (research).\textsuperscript{9} In the financial inclusion area, regulation or promotion of microfinance is outside their mandate. In the infrastructure area, they are not responsible for any of the relevant instruments – local currency bond markets, the role of sovereign wealth funds or increased multilateral development bank lending.

To enable the DWG to champion development interests, highlighting the cross-cutting impacts of the range of other policies:

- Invite non-G7 countries in the G20 to invest more heavily in the DWG process, by seconding officials to the Chair of the DWG. Otherwise the preparatory process will be dominated by default by G7 and OECD thinking, simply by virtue of their ODA history and their being mature institutions.
- Regularise joint G20 Finance Ministers–Development Ministers meetings, supported by the DWG.\textsuperscript{10}
- Scrap the awkward inherited preparatory system which separates the Finance Ministries’ work from the Sherpas (the Leaders’ Personal Representatives).

The third suggestion refers to the two-track system, illustrated below, introduced by the Mexicans to prepare for Los Cabos. The organisation chart makes clear that the system disadvantages work on development. All the potential development issues, allocated to the Sherpas track, require the intimate involvement of Finance Ministries. At the very least, each country should send a finance official to the DWG.
Figure 2: The two-track system

Climate finance
We cannot afford to wait for a United Nations Framework Convention on Climate Change (UNFCCC) agreement on a plan to meet the Copenhagen ‘commitment’. There will never be support in developed countries to transfer substantial ‘new and additional’ sums to developing countries ‘on a predictable and sustainable basis’. The Copenhagen US$100 billion per year ‘commitment’ is not a pledge. Read the fine print.\textsuperscript{11} Doha’s COP18 acknowledged that ‘funds provided to developing countries may come from a wide variety of sources’. Aside from the implacable opposition of the US Congress, the effect of the financial crisis precludes raising even US$50 billion per year from developed countries. Applying the UN scale of assessment to determine burden sharing for transfers to developing countries would be equivalent to doubling ODA in a period of austerity.
Noting that the atmosphere is indifferent to the geographic source of reductions in emissions, and that developing countries will benefit from reduced emissions anywhere, climate finance could be raised and spent effectively in developed countries sooner, while there is still time. A compelling G20 plan to ‘spend the money’ in their own countries is a necessary – but not sufficient – prerequisite to raising the money. Demonstrating efficiency and incrementality will not be enough. Expenditure proposals will have to command wide public support to gain legislative approval in each country, to raise money. Rather than relying on the UNFCCC, the G20 should task Finance Ministers to develop a plan on both how to spend the money in G20 countries and how to raise it.

**Contribute to the successor framework to the MDGs**\(^\text{12}\)

Goals influence behaviour, priorities and investment. For Post-2015 Development Goals, there is pressure to include poverty; employment; inequality; social protection; food security; health; secondary and tertiary education; physical security; gender equality; disaster resilience; connectivity; ‘energy for all’; human rights; environmental sustainability; climate change; anti-corruption; and governance. Quoting de Saint-Exupéry, ‘Perfection is reached, not when there is nothing left to add, but when there is nothing left to take away’, Vandemoortele worries that ‘the post-2015 agenda will … become an unending wish list.’\(^\text{13}\)

The process of developing Post-2015 Development Goals is likely to result in a valueless, overloaded agenda. The United Nations is not likely to provide the essential leadership needed to reach agreement on concrete targets – compelling, easy to understand, measurable and limited in number.

It will be difficult to gain consensus in the G20, but easier than in the United Nations. More consultation and negotiation will not help. The G20 should prepare a narrative of the post-2015 agenda, combining vision and principles, together with two or three options for a limited number of concrete and time-bound commitments.

**Conclusion**

The presidency of the G20 is a worthy challenge. Despite the apparent prerogatives to set the agenda and guide the debate, the Chair is over-constrained. The G20 is an informal arrangement, without a secretariat or compliance provisions. Meeting time is short; there are high expectations, pressure from civil society, and extreme scrutiny from a sceptical media.
The topics are complex and leaders do not have technical expertise. G20 countries have different interests and cultural approaches to decision making.

Cognisant of the challenges, Australia can initiate progress on several positive development initiatives. It could initiate several new reports to the G20 by inviting other countries to co-author options for G20 consideration. It could streamline the G20 preparatory process to focus on cross-cutting issues. It could rescue the otherwise deadlocked and doomed discussion on climate finance. It could catalyse the failing process to determine Post-2015 Development Goals.

**Notes**

1. Senior Fellow, Centre for International Governance Innovation (CIGI).


5. The question ‘How can the G20 improve its outreach with other stakeholders, particularly LICs?’ is of little consequence unless progress is made on specific priorities.

6. I exclude consideration of the fifth item on the DWG list – human resource development – as there is little scope for effective international cooperative action.

7. Prime Minister David Cameron and Bill Gates prepared reports for the Cannes summit at the request of President Sarkozy.


9. A means needs to be found to integrate the work of ministerial meetings, so as to avoid headlines such as ‘G20 Fails 1 Billion Hungry People Worldwide: Development and Food Security Sideline’, which appeared after the Los Cabos summit: www.oxfam.org/en/grow/pressroom/pressrelease/2012-06-19/g20-fails-1-billion-hungry-people-worldwide.

10. The first one was held in September 2011.

11. Clinton said ‘In the context of a strong accord in which all major economies stand behind meaningful mitigation actions and provide full transparency as to their implementation, the United States is prepared to work with other countries toward a goal of jointly mobilizing $100 billion a year by 2020 to address the climate change needs of developing countries. We expect this funding will come from a wide variety of sources, public and private, bilateral and multilateral, including alternative sources of finance’:
www.state.gov/secretary/rm/2009a/12/133734.htm. See preamble to section 5 and para 69, COP18, at http://unfccc.int/resource/docs/2012/cop18/eng/08a01.pdf

12. Paragraph 86 of the St Petersburg Leaders’ Declaration: ‘We commit to participate actively in this process and engage in the discussion on the direction of the new framework and its key principles and ideas and effectively contribute to the timely conclusion of the process.’