Strong, sustainable, balanced and inclusive growth – a cornerstone of development

Marina Larionova

National Research University Higher School of Economics

Taking stock of the progress so far

The G20 leaders expressed their commitment to development assistance at their first summit in Washington, where they made four pledges. At the London summit the G20 reiterated its responsibility for the state of international development amid financial crisis. The leaders made nine commitments and not only confirmed the responsibility in reaching the Millennium Development Goals but also agreed to allocate a further US$850 billion to support developing countries through multilateral financial institutions. Assistance to developing countries remained a significant part of the G20 agenda in Pittsburgh and Toronto. A new initiative on financial assistance to small enterprises was launched. These two summits resulted in eight G20 commitments each. At the 2010 Seoul summit the leaders agreed to the Multi-Year Action Plan on Development (MYAP), containing commitments on nine principal pillars of official development assistance.

By 2013 the MYAP commitments approached the deadline, which highlighted the need to monitor their implementation and develop a new G20 action plan on development. To that end, at the 2012 Los Cabos summit the leaders requested the Development Working Group to prepare a monitoring report. The report findings were expected to lay the foundation for elaboration of a new three-year plan. Despite the institutional approach to the G20 assessment adopted by the Development Working Group, which does not take into account G20 members’ individual performance, the preparation and the publication of the Saint Petersburg Accountability Report on G20 Development Commitments has become an important step towards enhancing the G20 accountability, and ensuring higher transparency of its activities. The report presented only the results of the implementation of the Seoul summit decisions, omitting those of the previous leaders’ meetings. However, it became a starting point for a new G20 strategy on development.
Where we are, and where we should aim to go

The *Saint Petersburg Development Outlook* emphasised the central place of strong, sustainable, balanced and inclusive growth in development assistance. Thus the development strategy should contribute to growth, focusing on eliminating obstacles and creating opportunities for growth in development countries. This is a new and a valid approach; however, the G20 actions fall short of the claim.

The G20 focused on five, instead of nine, priority areas: food security, financial inclusion, infrastructure, human resource development and domestic resource mobilisation, dropping the commitment to enhance the access and availability to trade with advanced economies and between developing and low income countries. Even though the compliance performance for this Seoul commitment had been low, given the role of trade in economic growth, the G20 members should have consolidated efforts to integrate developing and low-income countries into the trade flows. Hopefully the G20 can revisit the pledge to foster access and availability to trade for developing and low-income countries.

The *Saint Petersburg Development Outlook* commitments divide into nine ‘new actions’ and fourteen ‘ongoing actions’, and can be split into three groups: general objectives, specific policy measures and assessment actions. Less than half of the actions (eleven) represent specific policy measures, such as dissemination of best agricultural practices, measures to promote financial inclusion, or assistance on domestic resources mobilisation. Notably, all these actions are ongoing, that is, reiterated commitments from the 2010 Seoul summit. Seven commitments (six new and one ongoing) are very unambitious, being confined to monitoring, examining or exploring ways to address existing problems. Five actions are, in fact, general objectives which lack specific details and do not contain compliance indicators such as deadlines or reporting format. Therefore, these commitments do not contribute directly to addressing obstacles to growth in developing countries and to stimulating growth, even though some of them are technically easily assessable. To make a tangible contribution to development, the G20 ought to forge commitments which are more ambitious and forward-looking, explicitly contributing to strong, sustainable, balanced and inclusive growth.

As a new action on food security, the G20 committed to review ‘critical opportunities for economic growth and job creation in connection with food security and nutrition focusing on LICs’.2 Following upon the previous commitments, the G20 pledged to promote dissemination of best practices in agriculture and food production, such as network centres of excellence and knowledge-sharing platforms on food security and nutrition. It is also planned
to continue monitoring of the previously proposed initiatives, including those on food reserves and access to humanitarian food supplies, the upholding of the Principles for Responsible Agricultural Investments, agricultural risk-management tools and scaling up of nutrition. Furthermore, the G20 expressed the commitment to fully implement the Agricultural Market Information System (AMIS) and to continue sharing knowledge through the Meetings of Agricultural Chief Scientists, including on agricultural research and technology. So far, so good. However, the G20 could obviously have built on its earlier commitments to boost agricultural growth with special attention to smallholders, especially women and young farmers, in particular in developing countries.

On financial inclusion, the G20 committed to explore the ‘options to strengthen financial inclusion work in developing countries and targeted actions to harness emerging mechanisms such as electronic payments and mobile technology’ in partnership with the Global Partnership for Financial Inclusion (GPFI). The G20 also pledged to consider new mechanisms to reduce the costs of transferring remittances to developing countries. As ongoing actions, the G20 committed to continue the implementation of the G20 Financial Inclusion Action Plan and the G20 Peer Learning Program, and to working to reduce the global average costs of transferring remittances. Looking into the future and drawing on the accumulated experience and expertise, the G20 should consider making commitments on incorporating successful small and medium enterprise (SME) financing models into the national practices, as well as concrete commitments by its members on policy measures to stimulate financial inclusion, raise standards of consumer protection and increase levels of financial literacy.

On infrastructure development, the G20 committed to strengthen cooperation with the G20 Study Group on Financing for Investment, and to examine the implications for LICs arising from its work. The G20 also plans to assess the effectiveness of project preparation facilities (PPFs) in regions in addition to Africa in promoting long-term investment financing for infrastructure. In addition, the G20 pledged to continue to implement ongoing commitments under the MYAP action on an MDB (multi-level development bank) Infrastructure Action Plan. To move from assessments to actions, the G20 cooperation to stimulate long-term infrastructure investment planning and expand the G20 members’ participation in implementing infrastructural projects in developing countries should be consolidated.

The G20 plans to cooperate with relevant international organisations in providing assistance to developing countries in assessing their skills development needs and in building national capacity in professional training; also to ‘explore ways to develop South-South and
Triangular cooperation programs involving G20 members, aimed at providing training and knowledge-sharing to developing country nationals. The ongoing action on human resource development is a planned monitoring of the MYAP commitments’ implementation, including disseminating and promoting the use of the internationally comparable skills indicators database; implementing and assessing the effectiveness of the action plans on skills for employment and productivity; and promoting the use and ensuring the maintenance of the Global Knowledge Sharing Platform. The platform should become an instrument for engagement and learning, and its effectiveness to this end should be assessed and discussed with the stakeholders of the process.

Domestic resource mobilisation became the fifth issue area of the Saint Petersburg Development Outlook. In this regard, the G20 committed to work in partnership with the Global Forum on Transparency and Exchange of Information for Tax Purposes to identify and eliminate the obstacles to automatic exchange of information (AEOI) and reinforce support to revenue authorities in developing countries. The Outlook also contains the G20 commitment to review relevant work on base erosion and profit shifting in order to identify issues relevant to LICs. As an ongoing action the G20 took up the commitment to encourage more developing countries to join the Multilateral Convention on Mutual Administrative Assistance. The leaders also called upon the Global Forum on Transparency and Exchange of Information for Tax Purposes to engage more closely with developing countries in order to prepare for their peer reviews and provide them with required technical assistance. Further action is required to strengthen tax systems and the capacity for tax collection in the developing countries, with the aim of building a sustainable revenue base. The G20 should implement their intention to assist developing countries in capacity building in the area of tax administration.

Despite some limitations, the Saint Petersburg Development Outlook commitments, to a varying degree, contribute to the goals of strong, sustainable and balanced growth. Specifically, the commitments on financial inclusion and human resource development are aimed, inter alia, at enhancing the quality of human capital, which results in a more balanced model of economic growth. Similarly, the measures in the sphere of food security – particularly those aimed at job creation in agriculture and food production – boost economic productivity and stimulate growth.

The emphasis on strong, sustainable and balanced growth in addressing issues of international development is a strong point of the Saint Petersburg Development Outlook. It is in line with the G20 mission and reflects the international community’s understanding of
the centrality of inclusive economic growth in achieving the UN’s Millennium Development Goals. The actions agreed on, and their implementation and monitoring, can form the foundation for more effective actions in the future. Based on the results of the consultations, reviews and studies launched by the *Saint Petersburg Development Outlook*, under future presidencies the G20 should be able to make commitments which will directly and tangibly contribute to inclusive growth as a cornerstone of development. The G20 should also ensure that decision-making on the G20 core policies includes an assessment of their impact on development.

**Notes**

1. Head of the International Organisations Research Institute, National Research University Higher School of Economics (NRU HSE).
5. *A Life of Dignity for All: Accelerating Progress towards the MDGs and Advancing the UN Development Agenda beyond 2015* (report of the Secretary-General to the 68th UN General Assembly, 26 July 2013).