The development agenda for the G20 Brisbane summit

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Although the G20 has made general statements on aid and development issues since its inception at the ministerial level in 1999, it was not until the 2009 Pittsburgh summit that it made a link between development and its core mission of strong, sustainable, and balanced growth (SSBG) through international cooperation. Promoting development would not only contribute to SSBG by creating new sources of demand and facilitating global rebalancing, but it would also help to enhance the G20’s legitimacy – the G20 might represent 85 per cent of global GDP, but it had to find ways to address the concerns of the 150 countries and 2 billion people not represented. Building on this rationale, Korea in 2010 proposed a new development agenda ‘complementary to and differentiated from’ the Washington Consensus and the Millennium Development Goals (MDGs). Korea pushed for a ‘beyond aid’ development agenda focused on growth and resilience, the G20 Seoul Development Consensus for Shared Growth.

The G20 Seoul Development Consensus focuses on nine ‘pillars’ essential to strong, resilient and inclusive growth. The first four pillars deal with enhancing growth potentials (infrastructure, human resource development, trade, and private investment and job creation); the next four deal with managing risks and building resilience (financial inclusion, growth with resilience, food security and domestic resource mobilisation); and the ninth and final pillar – knowledge sharing – seeks to provide an effective interactive platform for developing countries and support the other pillars through mainstreaming. Green growth, the tenth pillar added by Mexico in 2012, emphasises environmentally sustainable economic growth. These pillars constitute a comprehensive set of essential ingredients for development – wider in scope than the Washington Consensus policy package of liberalisation, privatisation and stabilisation, and more dynamic than the MDGs, which are concerned primarily with poverty reduction and basic human development.

Since the 2010 Seoul summit, each subsequent G20 Chair tended to choose its priority pillars (for example, infrastructure and food security for France in 2011) with a view toward achieving tangible deliverables. Most recently, at the 2013 Petersberg summit, the G20 agreed to focus on five priority areas: food security, financial inclusion and remittances, infrastructure,
human resource development, and domestic resource mobilisation. However, this is not a serious problem in itself, as the G20’s multi-year action plan on development, with Development Working Group (DWG) meetings and co-facilitators for each of the pillars, helps to ensure continuity and implementation. The implementation mechanism could be improved, for example by linking the Sherpa-driven DWG process with the ministerial process, but the Chair’s tendency to focus on a few of the development pillars is not without benefits in terms of deliverables.

The real problem with the performance of the G20 on the development front is the lack of resource commitments. This is in addition to the lack of policy action and coordination that the G20 has regarding other issues, which leads it to task international organisations with conducting research and coming up with policy recommendations on various topics (for example, climate finance in 2011), without there being substantive follow-up action. In other words, the G20 development agenda suffers from both resource commitment and collective action problems. For instance, in 2010 it was argued that ‘beyond aid’ agenda items such as infrastructure investment and trade facilitation, implemented through concrete agreements on, say, trade-promoting infrastructure projects in Africa, would greatly strengthen the G20’s credibility in growth and development issues. However, many G20 members were reluctant to make any resource commitments, given their fiscal situation.

In fact, in areas such as infrastructure, the G20’s reluctance to make resource commitments tended to skew policy discussions in a particular direction. Given the private sector’s focus on the short term and concern about expropriation and other political and regulatory risks (and hence their demand for a high-risk premium), and developing countries’ reluctance to rely on high-cost short-term financing for infrastructure, it does not seem to make much sense to emphasise public–private partnership (PPPs) so much. While pension funds could make longer term commitments than ordinary private investors, their concern about political and regulatory risks may be no less significant. In these circumstances, it may be useful to strengthen the financial and technical role of the multilateral development banks (MDBs), for they could not only raise capital more cheaply but also negotiate more effectively with country governments than could private investors. This would lower perceived risks and infrastructure financing costs. However, if the G20 members are reluctant to make resource commitments to strengthen the role of the MDBs, this option will be closed off, and G20 discussions on infrastructure would instead focus on the role of private investors and domestic policy reform in developing countries.

If the G20 cannot make resource commitments on the development front, it should focus on
using its role as a minilateral forum at the leadership level, to address collective action problems and strengthen the link between development and SSBG.\textsuperscript{3} The international development landscape today is characterised by ‘hypercollective action’. A wide range of actors, platforms and processes is involved, and issues and initiatives cut across institutional and policy communities, while the steering function is underprovided. It is essential to link up the various platforms and processes so that they constitute a coherent, effective global effort that works to eliminate poverty and advance sustainable development. G20 leadership can bring impetus and coordination to this polycentric international development system at a time of transformative change in the global economy.

There are three major UN processes underway: on development strategies beyond the Millennium Development Goals (MDGs) for 2015; on sustainable development goals (SDGs), which are to be coherent and integrated with the post-2015 development strategies; and the UNFCCC process to produce a new Global Framework Agreement on climate change from 2020. They each culminate at the end of 2015. Achieving inspiring, coherent outcomes in 2015 will be a test of global leadership. These processes are all interrelated, but they are dealt with largely by separate policy communities at the national and global levels. The G20 can assist upstream in shaping coherent, convergent outcomes. An important contribution by the G20 would be to ensure well-coordinated across-government preparation processes in G20 capitals and, through a G20 2015 Strategic Convergence Group, maintain an overview of the key political issues which cut across and connect up these agendas and processes, in close cooperation with the UN.

At the country level, the polycentric development cooperation effort brings together diverse ideas and strengths, but agency failures and dysfunctional incentives undermine national capacities and public policy processes. Important progress has been made, with developing countries strengthening their public policy and management systems and taking a leading role in the aid policy and practice discussions at regional and international levels.

The Global Partnership on Effective Development Cooperation established after the Busan High-Level Forum at the end of 2011 should work to speed up collective action on these issues. Under ministerial leadership from Indonesia, Nigeria and the United Kingdom, this global partnership has created a new political space for the whole range of development actors, public and private. With its cross-government and cross-system overview, and in conjunction with the UNDP and the OECD support teams, the G20 can strengthen the connection between global and local efforts to increase the effectiveness of development cooperation. Emerging countries in the G20 could bring to bear their experiences in
managing their own development processes and in fostering the domestic intellectual and analytical capacities needed to help leaders as they shape and articulate national strategies and reforms. For instance, they could present a progress report on country-level development cooperation models, supported by country case studies prepared by local think tanks on the performance and problems of the development cooperation effort in these countries (including at least one fragile state). This report could articulate the findings in such a way that they can be used by G20 leaders in shaping their policies on development cooperation, in order to promote further cooperation among G20 countries and others to build up developing countries’ core capacities.

To achieve economic transformation in developing countries, financial integrity is paramount, as the history of resource-rich countries shows, with its close connection with elite incentives. A holistic approach to financial integrity is required, bringing together action across the global financial and fiscal systems to eliminate illicit flows and increase financial transparency, fostering capacity development that will strengthen the institutions and resources needed to effectively manage national wealth for sustainable development. The G20 is uniquely placed to help pull together these political and operational elements, taking further its work to date on corruption and tax avoidance. Financial integrity in terms of the quality of the regulatory environment and investment decision-making is equally critical for generating long-term financing of infrastructure, urbanisation, rural development and climate change response.

As these capacities strengthen, both domestic revenues and foreign finance will grow rapidly as a development story takes hold. Mainstreaming development and strengthening the link between development and SSBG, the G20 should elaborate a vision of development finance built around this holistic concept of financial integrity.

Notes
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