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Coherence and Humility: Development Priorities for the G20

Sustainable Development- has the G20 got the right priorities?

Overview

The G20 is currently the 'premier forum for international economic cooperation', with political leaders from the nations that provide over 80% of the world's output meeting to face the complexity of globalised markets. Since 2010, the G20 has had a significant development agenda. My argument is that the world is facing a global reckoning point in 2015 on many crucial international development issues; including climate change finance, aid effectiveness, transparency reforms and the end of the United Nations (UN) Millennium Development Goals (MDGs) which provide the current global framework and targets for development. Diplomatic impasses have resulted in a range of international fora between rising powers such as Brazil, Russia, India, China, South Africa (the Outreach 5) and Mexico (BRICSAM) and the G7 countries, but also other groups of nations.

The G20 is therefore important for as a 'lever for progress'¹ on these development issues because the right actors are at the table to break these deadlocks. This is not to dismiss the serious legitimacy issues the G20 has with membership and outreach.² In this sense, at this historical juncture, the G20 is a critical platform of the future for global governance, as it is a forum with deliberately shared membership between emerging and dominant powers, and it is nimble enough to move quickly.³ Will it become equivalent to the role of the United Nations Security Council over time, with a limited membership, part crisis management and part steering committee, dealing with threats to international peace and security?

However, the proclaimed development agenda of the G20 known as the Seoul Development Consensus is fractured, diffuse, mostly divorced from the overall G20 framework, peripheral to leaders declarations, and often opaque to external scrutiny. There has been some significant progress, described below. Often the G20 has struggled to find its comparative advantage in this area of its work, possibly due to the seemingly inherent conflicts between social equity and an economic growth agenda (often characterised by the phrase 'the rising tide lifts all boats'). Many commentators in the wider international development field have maintained that rather than tinker, G20 policies and practices as a whole must contribute to growth which reduces inequality, ensuring development is sustainable (in social and environmental terms) and tackling poverty.

Dirk Willem te Velde argues that the G20 needs to broaden its development work to explicitly cover the economic implications of G20 core actions in fiscal, financial, trade, exchange rate, and environmental policies for non-G20 countries.⁴ Andrew Cooper and Ramesh Thakur argue further that the Seoul Development Consensus:

¹ Barry Carin and David Shorr, 'The G20 as a Lever for Progress' *CIGI G20 Papers*, No. 7, February 2013.

² See further Steven Slaughter, 'Debating the international legitimacy of the G20: Global Policymaking and Contemporary International Society', *Global Policy* 4:1, February 2013, pp. 43-52.

³ For the best overview of the G20 as a global governance, see Andrew Cooper and Ramesh Thakur, *The Group of Twenty (G20)*, Routledge Global Institutions Series, Routledge: London and New York, 2013. See also Homi Kharas, and Domenico Lombardi (2012). *The Group of Twenty: Origins, Prospects and Challenges for Global Governance*. Global Economy and Development at Brookings Institution, Washington DC.

⁴ Dirk Willem te Velde, 'Accountability and effectiveness of the G20's role in promoting development', *ODI report*, October 2012.

not only sidelined the Washington Consensus on neoliberalism, but it also moved the development debate in rich countries beyond merely the design and level of aid packages to focus instead on structurally important pillars of development like education, skills, infrastructure, domestic mobilisation of resources, private-sector led growth, social inclusion and food security. In other words, it returned to looking at successful models of development outside the West, including of course, South Korea...⁵

The expiration of the Seoul Multi-Year Action Plan (MYAP) offers an opportunity for the G20 as a whole to reformulate and reprioritise its work on development. The G20 should at least do no harm to poor people living inside its own member state borders, nor people living in pockets of extreme poverty in non-member countries, nor Least Development Countries (LDCs). Above that, it can provide political pressure and mobilise resources to end stalemates that affect progress to eradicate poverty in other fora. In my view, the G20 should analyse, forecast, share, model good behaviour and pressure, rather than 'do' or pledge in the development arena, especially where its actions affect poor nations excluded from the conversation. If the troika adopt a 'back to basics' approach to the Brisbane G20 Summit 2014, the area of most consensus in the development pillar would be food security, clean energy and financial inclusion/income inequality (food, fuel, finance).

I recommend the G20 should work harder in its other pillars to promote policy coherence for development,⁶ especially the 'beyond aid' agenda, in areas such as trade facilitation, labour mobility, gender equality and climate finance.⁷ To this end, a development pillar/column should be added to the mutual assessment framework as an accountability measure.⁸

What contribution has the G20 made to the development agenda?

Conceptual

At the conceptual level, the G20 has made little advance to the way development issues are considered thus far compared to other global institutions, despite the promise expressed by Cooper and Thakur by the Seoul Summit. The various declarations the G20 showing commitment to development outcomes are clear, but it is equally clear that development principles espoused were instrumentalised to achieving overall growth in the early years, strongly influenced by the IMF. The G20 Framework for Strong, Sustainable, and Balanced Growth from 2009 states that members will 'promote balanced and sustainable economic development in order to narrow development imbalances and reduce poverty'.⁹ More specifically in the Pittsburgh Declaration, leaders resolve to:

⁵ For the best overview of the G20 as a global governance, see Andrew Cooper and Ramesh Thakur, *The Group of Twenty (G20)*, Routledge Global Institutions Series, Routledge: London and New York, 2013, at p. 108.

⁶ The principle of Policy Coherence for Development (PCD) has been formally adopted by the OECD and the European Union.

⁷ Beyond Aid' issues include trade, migration, investment, environmental issues, security and technology.

⁸ Examples offered by ODI include (te Velde, op cit, Appendix A, p. 14):

- Data (value) on imports from LICs, remittances, foreign direct investment (FDI) and bank lending to LICs;
- Current account, exchange rate data, government deficits/debt;
- Oil and commodity prices (assumptions; internally consistent prices);
- Spending on global public goods;
- Forecasts on official development assistance (ODA).

⁹ The Framework on Strong, Sustainable and Balance Growth ("Growth Framework") launched at the 2009 Pittsburgh (US) Summit. This "Growth Framework" constitutes the matrix of policies within which 1) each G20 country makes commitments and to which each country is held accountable; and 2) G20 collective commitments are articulated and tracked. Both of these functions are monitored through the IMF's Mutual

*To take new steps to increase access to **food, fuel and finance** among the world's poorest while clamping down on illicit outflows. Steps to reduce the development gap can be a potent driver of global growth. (emphasis added).*

This is quite different than the development approach taken by the UN, which is based on the right to development by states,¹⁰ and the right of individuals to lead a life of human dignity, encompassing a range of economic and social human rights.¹¹ The multilateral development banks have also moved in this direction (albeit often under external pressure). Sustainable development also has a different, much wider meaning in UN contexts such as the Rio +20 Summit Outcomes in 2013 than it does in the G20 context.

G20 leaders at the Seoul Summit in 2010 reiterated this approach, but made it a more core part of the mission: 'Narrowing the development gap and reducing poverty are integral to our broader objective of achieving strong, sustainable and balanced growth and ensuring a more robust and resilient global economy for all'. The Seoul Development Consensus for Shared Growth focused on six principles: focus on growth, partnership, tackle systemic issues, private sector, complementarity, and outcome orientation. It also outlined nine pillars: infrastructure, private investment and job creation, human resource development, trade, financial inclusion, growth with resilience (social protection and remittances), food security, domestic resource mobilisation and knowledge sharing.

The Communiqué of the G20 Ministerial Meeting on Development in 2011¹² notes that it took the shock of the global financial crisis to realise:

The global economic crisis affected disproportionately the most vulnerable people. In the context of global risks, there is a growing need to develop mechanisms to offer better protection and ensure a more inclusive growth path.

Further, a more social element is added:

the G20 will continue its work to promote a strong, balanced and sustainable growth, to narrow gaps in levels of prosperity, to foster a shared and inclusive growth, to further reduce poverty, promote gender equality and contribute to job creation.

At Los Cabos in 2012, leaders were moving into language that sounded more like the OECD or UNDP in its focus on country-led priorities that tie into UN targets:

We reaffirm our commitment to work with developing countries, particularly low income countries, and to support them in implementing the nationally driven policies and priorities which are needed to fulfill internationally agreed development goals, particularly the Millennium Development Goals (MDGs) and beyond.

Assessment Process which also charts different global scenarios in terms of growth and rebalancing given the (lack of) action by the G20's member countries.

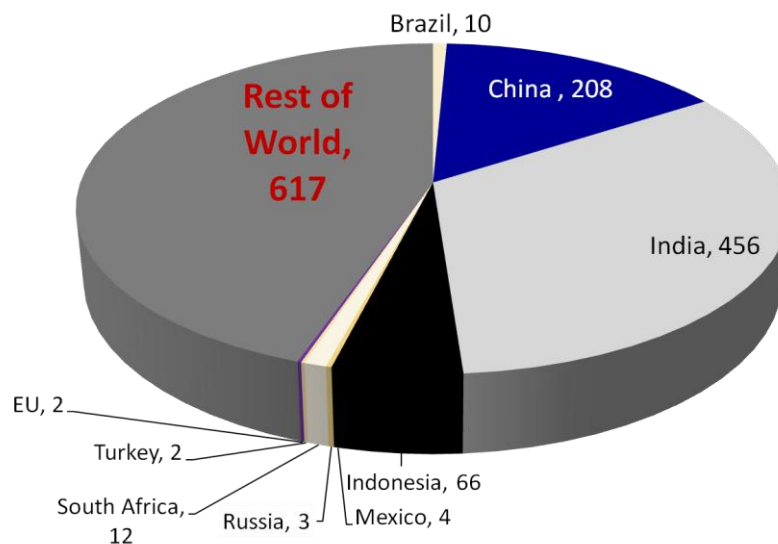
¹⁰ Declaration on the Right to Development, 4 December 1986, A/RES/41/128

¹¹ The UNDP website states: 'Economic growth will not reduce poverty, improve equality and produce jobs unless it is inclusive' undp.org. See further Susan Harris-Rimmer, 2010, 'Assessing the relevance of the international legal framework in claiming economic and social rights', in Ann Nevile (ed.), *Human Rights and Social Policy: A Comparative Analysis of Values and Citizenship in OECD Countries*, Edward Elgar Publishing, Cheltenham, UK & Northampton, MA, USA.

¹² Communiqué of the G20 Ministerial Meeting on Development, 23 September 2011, Washington DC, USA.

This closer conceptual alignment may make it easier for the G20 to work with existing development actors, and it should also help narrow down where the G20 should prioritise and can add value.

Poverty is something the G20 should know about, after all, because most G20 nations are dealing with it within their own borders as well, or have transitioned from an aid recipient into a donor like South Korea. More than one half of the world's poorest people live in G20 nations, as this IDS graph makes clear.



Actual

There have been some serious successes in the development arena, not always clearly labelled as such. The G20 has mobilised \$ 1.1 trillion to withstand the global financial crisis, with \$50 billion directly for low-income countries (LICs), both of which supported development, although arguably not enough to alleviate all the suffering the food crisis caused.

- Development of an Anti-Corruption Plan and political support and ratification of the UN Convention Against Corruption.
- The G20 has stimulated bigger quotas for lending to LDCs, and voting quota reform for the International Financial Institutions, (yet to be implemented in full).
- There have been incremental gains on food security, especially around increasing transparency over reserve stocks e.g. the Agricultural Market Information System and the Excessive Food Price Variability Early Warning system. The G20's work on AgResults in 2012 was welcomed by development actors, adding value by coordinating the work of various international organisations.¹³
- The G20 set up the high level panel on infrastructure investment, bringing stakeholders together to unlock binding constraints to infrastructure finance in Cannes.¹⁴
- Under the Mexican's presidency, held just before the Rio +20 summit, the G20 developed a nascent agenda on inclusive green growth.

¹³ Robin Davies, 'After the siesta: whether the G20's development agenda?', Development Policy Centre blog, 5 July 2012.

¹⁴ Although the HLP plans were criticized as having little to say about the social or environment dimensions of mega-projects. See further Nancy Alexander, *Beyond the Public Eye: High-Level Panel on Infrastructure To Unveil its Recommendations for G20 Leaders*, October 26, 2011.

- The G20 asked Bill Gates to consider innovative financing for development in 2011, and his report recommended the Financial Transactions Tax (so called Robin Hood Tax), keeping it on the G2 agenda.
- The G20 has set numerical targets to reduce the costs of remittances; although there has been less progress in other areas such as Duty-Free, Quota-Free.
- There have been commitments to support Domestic Resource Mobilisation (eg Global Forum on Transparency and Exchange of Information for Tax Purposes set up in 2012, and the Extractives Industries Transparency Initiative).
- Social protection floor has been agreed to 'in broad principle'.
- Commitment to reduce the cost of remittances.
- Financial inclusion instruments and indicators developed, Russia to develop further.
- Replenishment of the regional MDBs and IDA (especially London commitment of \$100billion).
- Attempts to tackle secrecy jurisdictions
- Discussion at the Cannes Summit about humanitarian food reserves in the context of the Horn of Africa crisis.

What more can the G20 do?

According to the official Russian document, *The Russian Presidency of the G20 in 2013*, the current development agenda focuses on capacity-building in four areas:

1. food security with a focus on increasing agricultural production and addressing malnutrition;
2. infrastructure;
3. financial inclusion with a focus on financial literacy and access to financial services for women, migrants and youth; and
4. human resource development, especially developing skill sets that suit market needs.

In addition, the document states that the G20 will support the UN's creation of a post-2015 agenda, deliver the G20 Accountability Report on Development and a St. Petersburg Development Action Plan.¹⁵

St. Petersburg Development Action Plan

Various development thinkers and international NGOs have been coming up with their wish list for the upcoming St Petersburg Development Principles.¹⁶ Most commentators will be looking for specific, measureable and time-bound commitments on key issues in the successor to the MYAP, which should also focus on a process of quality engagement with LDCs.

Some have focused on the enduring agenda items of food security and commodity-price volatility, fuel, especially the long-standing commitment of the G20 to a phase-out of all fossil fuel subsidies, yet to be realised.¹⁷ The G20 recently established a working group on climate change financing, and many environmental NGOs hold hope that it could be a circuit-breaker leading up to the UNFCC.

¹⁵ Available at http://www.g20.org/docs/g20_russia/outline##11

¹⁶ For example, Dirk Willem te Velde, 'The future of development at the G20: towards the St Petersburg Development Principles', ODI blog, 18 October 2012. See also Interaction, G20 Summit recommendations, January 2013, available at <http://www.interaction.org/sites/default/files/2013%20G20%20POLICY%20PAPER%20Formatted%20%283-4-13%29.pdf>.

¹⁷ For example Barry Carin and David Shorr, 'The G20 as a Lever for Progress' *CIGI G20 Papers*, No. 7, February 2013.

Other ideas that have been raised by civil society in preparation for the St Petersburg Summit include that the G20 should:

- Promote fairer fiscal systems, including the promotion of more redistributive or progressive taxation policies, to ensure the availability of sufficient revenue for transformative services such as universal healthcare and education; and
- Agree on existing and innovative financing mechanisms to ensure there are sufficient finances to narrow the development gap.
- Deliver a reduction in income inequality by directly targeting sectors of the economy important to poor men and women's livelihoods, such as small businesses and small-scale agriculture, and by setting ambitious national targets to reduce inequality between the highest and lowest income quintiles;
- Take action to address tax havens and improve tax transparency so that developing countries do not lose the revenue they need to invest in ending poverty and inequality.¹⁸

The finance gap and design/risk issues for investment in infrastructure for development outcomes is clearly an area of the development agenda that has the potential to be placed on the leadership track negotiations.¹⁹ The issue of public-private partnerships in this area raises significant concerns for many development commentators.²⁰ How to finance and handle the risk issues for what I term 'leapfrog' green and clean infrastructure (including technology infrastructure) that meets the development needs of states and also safeguards vulnerable communities is a key debate for St Petersburg and the next troika period.

Time for a gender moment

If the G20 is serious about development outcomes and equitable growth, then it needs to get serious about gender equality, as every other development actor has over the last twenty years. Despite a promising paragraph in the Los Cabos Leaders Declaration and several references to health and education over the years, the G20 has been seriously deficient in its recognition of gender issues in the global economy, despite the clear evidence base for such issue in terms of productivity and every facet of the G20's focus. Partly this is because of the under-representation of women in G20 processes thus far, only 25 percent of the heads of state of the G20 member countries are currently women. The figure for sherpas is even lower, with only 15 percent women.²¹ James Heintz argues:

Broad-based economic policies have gender-specific effects because sources of gender inequality interact with changes in the economic environment to produce distinct outcomes for women and men. Gender-blind policies are rarely gender-neutral.²²

The G20 needs a seminal moment on this issue, as the Security Council had in 2000 with the emergence of the Women Peace and Security agenda. Heintz recommends the development of a

¹⁸ Recommendations of the Civil 20 on the G20, the MDGs and the Post-2015 Processes, May 2013.

¹⁹ See further Amar Bhattacharya, Mattia Romani, and Nicholas Stern. 'Infrastructure for development: Meeting the challenge', Policy paper by the Center for Climate Change Economics and Policy, the Grantham Research Institute on Climate Change and the Environment and the Inter-Governmental Group of Twenty-Four, 2012.

²⁰ Margaret Callan and Robin Davies 'When Business Meets Aid: Analysing Public-Private Partnerships for International Development', *Development Policy Centre Discussion Paper No. 28*, 1 April 2013.

²¹ James Heintz, 'Missing Women: The G20, Gender Equality and Global Economic Governance' Report for the Heinrich Böll Stiftung Foundation, Washington, DC, March 2013.

²² Op cit, p. 3.

Toolkit on Economic Policy and Gender to integrate gender into the G20's agenda, plus some serious attention to gender in the new Development Action Plan.²³

The Post-2015 Agenda

Many development commentators, myself included, were apprehensive about the inclusion of the post-2015 agenda onto the already full agenda of the Development Working Group, preferring this to be an exclusively UN-led process. The right role for G20 members is in the demonstration of political leadership for the achievement of the current goals. They should demonstrate and act on their commitment to achieve the MDGs; commit sufficient resources to achieve the MDGs by committing sufficient ODA and mobilizing sufficient domestic resources, as appropriate; and promote new approaches to development financing by agreeing on existing and innovative financing mechanisms.

G20 members could also deliver collective statements endorsing a bottom-up process for the development of a single post-2015 framework and the full inclusion of southern perspectives in the new framework; and define carefully the role of the G20 in order to ensure there is no duplication with UN processes.²⁴ But the G20 could also inform the UN processes in a meaningful way with its capacity for modeling, forecasting and analysis of economic drivers. Whatever comes out of the 2015 process, be it new MDGs of Sustainable Development Goals, the G20 should link its development agenda and its Framework definitions to these, to prevent diffusion and confusion.

Conclusion

Core G20 macroeconomic and financial policies have a significant impact on poverty and development. The G20 should commit to adopting a Policy Coherence for Development approach to ensure that decision-making on core G20 policies and actions includes an assessment of the impact on poor people within G20 borders, and developing countries. The G20 should further promote a *beyond aid agenda*: the G8, OECD DAC and the UN led post-2015 debate already address aid effectiveness questions, so let the G20 focus on other flows, such as remittances and private finance.

The G20 needs to lift its game considerably in relation to gender analysis, indicators and outcomes.

The G20 should be accountable to these overall development and equity outcomes. A development pillar/column should be added to the mutual assessment framework as an accountability measure.

Finally, the G20 is a site where poverty and wealth sit so very close together. It should do more to understand itself and the relationship between development, growth and inequality before the G20 can fulfil its global governance potential.

²³ Op cit, p. 4.

²⁴ Recommendations of the Civil 20 on the G20, the MDGs and the Post-2015 Processes, May 2013.