

The Development Agenda of the G20

Alan Hirsch, The Presidency, South Africa, May 2011

The Development Mandate from Toronto

“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. In this regard, we agree to establish a Working Group on Development and mandate it to elaborate, consistent with the G20’s focus on measures to promote economic growth and resilience, a development agenda and multi-year action plans to be adopted at the Seoul Summit.”



Why development in the G20?

- ▶ The commitment to strong sustainable and balanced growth required the growth of new markets and reliable sources of raw material—a new source of vitality for the world economy as Northern markets stagnate
- ▶ The anxiety about the DAC members that they cannot maintain previous commitments is undoubtedly an issue, and they see the G20 as a step towards redistributing the burden
- ▶ Developing countries have more than an altruistic interest in development as their own sustained growth rests on the emergence of new suppliers and buyers (e.g. SA and Africa)



But, what is development for the G20?

- ▶ ODA? DAC and G8 role seems to preclude a role on ODA issues for the G20...
 - ▶ Yet the issue of innovative forms of finance is certainly on the agenda
- ▶ MDGs? This is the role of the UN
 - ▶ but there are some social areas not included in the MDGs that are significant for growth, like “skills development”
- ▶ LICs? It certainly is about LICs where the gap in potential is greatest
- ▶ Emerging markets? De-emphasised by advanced countries, but emerging markets emphasise the challenges that remain for emerging markets (is a country with an income of more than \$1000 per capita rich?)



What are the complexities of having development on the G20 agenda?

- ▶ UN and MDGs: the G20 avoids duplicating the MDG agenda—but has to be seen to be supporting it
- ▶ OECD, DAC, G8 and ODA: the G20 has avoided ODA issues rather to focus on supporting policies for economic growth rather not funds transfers to compensate for a lack of growth—though this forgets history in regard to some cases
- ▶ The G20 focuses on development as a set of long term issues, not crisis resolving interventions—but one of the main development issues is the food and fuel price crisis
- ▶ The Bill Gates report is likely to make things even more complicated—more on that later



Leaders Commitment at Seoul

“the Seoul Summit delivers: . . . the Seoul Development Consensus for Shared Growth that sets out our commitment to work in partnership with other developing countries, and LICs in particular, to help them build the capacity to achieve and maximize their growth potential, thereby contributing to global rebalancing. The Seoul Consensus complements our commitment to achieve the Millennium Development Goals (MDGs) and focuses on concrete measures as summarized in our Multi-Year Action Plan on Development to make a tangible and significant difference in people’s lives, including in particular through the development of infrastructure in developing countries.”



The agreed framework: Six principles

1. Inclusive sustainable and resilient growth is crucial to reduce poverty, (but ODA commitments are still essential for LICs)
2. There is not single formula for success, therefore we engage with developing countries as partners
3. We must prioritise global and regional systemic issues that call for collective action
4. We recognise the role of the private sector to create jobs and wealth, and the policy environment required
5. We aim to add value and not duplicate existing efforts
6. We will focus on tangible outcomes that remove blockages to growth, especially in LICs



The Seoul Consensus: 9 pillars and 25 multi-year activities

- ▶ **Infrastructure**
- ▶ **Food security and price volatility**
- ▶ Trade
- ▶ Private investment and job creation
- ▶ Human resource development
- ▶ Growth with resilience
- ▶ Domestic resource mobilisation
- ▶ Financial Inclusion
- ▶ Knowledge sharing



Infrastructure: “Jewel in the Crown” but what will it produce?

- ▶ A catalogue of projects such as a menu of major bankable projects?
- ▶ Or, a change in the way infrastructure investment is supported—institutional change?
- ▶ Or both, in what proportions?
- ▶ The outcome rests on the tricky combination of a report by IOs led by the WB, and the separate report to the leaders from a High Level Panel
- ▶ Will the HLP have the time, capacity and unity of purpose to take the discussion beyond the IO report?
- ▶ Some important institutional issues, especially for regional projects in Africa



High Level Panel for Infrastructure Investment

<i>Name</i>	<i>Country</i>	<i>Current position</i>
Tidjane THIAM (<i>Chair</i>)	Ivory Coast	Group Chief Executive of Prudential plc
Yahya A. ALYAHYA	Saudi Arabia	Chief Executive Officer of the Gulf International Bank
Yoon-Je CHO	Korea	Professor at Sogang University, Seoul, Korea
Luciano COUTINHO	Brazil	President of Brazilian Development Bank (BNDES)
Paul DOUGLAS	Canada	Chief Executive Officer of PCL Constructors Inc.
Jim HARMON	USA	Chairman of Harmon & Co. LLC
Mo IBRAHIM	Sudan	Founder of the Mo Ibrahim Foundation
Hayrettin KAPLAN	Turkey	Chief Executive Officer of the Turk Eximbank
Takatoshi KATO	Japan	President of Japan Center for International Finance
Norbert KLOPPENBURG	Germany	Member of the Managing Board of KfW
Rajiv B LALL	India	Chief Executive Officer of the Infrastructure Development Finance Company (IDFC)
Jin LIQUN	China	Chairman of the board of supervisors of China Investment Corporation (CIC)
S.R. MAHARAJ	South Africa	Former Minister of Transport and Special Envoy of the President of SA
Nicholas MOORE	Australia	Chief Executive Officer of Macquarie Bank
Paul Victor OBENG	Ghana	Chairman of the Guinness Ghana Breweries and Member of the Board of Fidelity Bank
Alessandro ORTIS	Italy	Chairman of the National Regulatory Authority for Electricity and Gas (AEEG)
Lionel ZINSOU	France	Chief Executive Officer of PAI Partner



Food security and price volatility

- ▶ Some potentially significant proposals on longer term support for food production in LICs (e.g. support for technology transfer and for higher productivity of smallholder production)
- ▶ Also some potentially useful proposals on how to deal with crises—spikes in food and fuel prices (e.g. proposals for emergency food reserves)
- ▶ But some more controversial issues : e.g. ban on export bans—food exporters with high domestic prices fear that humanitarian crises will be used to prohibit them from restricting exports
- ▶ And, organisationally, concern about multiple channels within G20 on agriculture (DWG, Agriculture ministers, Deputies stream)



Some other issues

- ▶ Innovative finance, the distribution of the ODA burden, and the mixing up of issues with a Tobin tax
- ▶ Trade issues and multilateral negotiations
- ▶ Illegal transfers of funds out of developing countries
- ▶ Social protection floor
- ▶ Climate change role relative to UN's role
- ▶ Role of IOs in the whole process (in the absence of a secretariat)



Complexity of the Multi-Stream G20

- ▶ This issue of multi-stream is not limited to food security
- ▶ The active arenas for discussion include:
 - ▶ Deputies stream
 - ▶ Sherpa stream
 - ▶ Within Sherpa stream, the DWG
 - ▶ Labour Ministers
 - ▶ Agriculture Ministers
 - ▶ Energy Ministers
 - ▶ Have I missed any? Overlaps with other international processes...
- ▶ The coordination required within countries and between countries is a concern for many of the participants



The “Gates Commission”

Gates was asked to prepare a report for the G20 Summit on financing development, but his approach is much broader:

- ▶ 10 year perspective
- ▶ Focus on needs of poorer countries, not all DCs
- ▶ More on human development: education, nutrition and health issues
- ▶ Approach would be to build capacity in poorer countries
- ▶ To use resources more efficiently (aid effectiveness)
- ▶ It would include options and specific recommendations
- ▶ It would look at DCs beyond being passive recipients—what should they do themselves...
- ▶ It would also include innovative financing issues, but in the context specifically of development funding
- ▶ It would look at the role of the private sector, especially at the bottom of the pyramid
- ▶ It would consider the current configuration of the multilateral system to see if some proposal for reform were needed



Possible implications of the Gates Commission

- ▶ He will look at the issue of innovative financing only in the context of funding development
- ▶ His brief, though, is broader than his original mandate
- ▶ This brings a number of issues onto the table of the G20 that were previously the responsibility of others e.g.:
 - ▶ the UN (MDG issues)
 - ▶ The DAC, G8, UNDP etc aid targets and effectiveness
 - ▶ It will even go into domestic policy issues which the IMF and World Bank once spoke boldly on
 - ▶ The role of the private sector in development etc
- ▶ The potential effect is to put an even wider range of development issues onto the agenda of the G20
- ▶ Implications for forums such as the G8?



Progress since Seoul

- ▶ Expected deliverables are still hard to describe
- ▶ The agenda is becoming broader and increasingly challenging to manage
- ▶ This could make the relationship between the G20 and other bodies (representative and otherwise) more difficult to manage
- ▶ There is a risk the credibility of the Development Working Group could come into question
- ▶ Leaders still think the development agenda is a critical part of the G20 process
- ▶ But the ability of the DWG to produce deliverables for Cannes will be a crucial test

