[File: G20 on development pre-summit 2011]
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G20: WRONG INTERNATIONAL FORUM FOR DEVELOPMENT

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On September 18-19, 2011, the "Development Working Group" of the Group of 20 met in Paris and sought to finalize its proposals for policies that the leaders of the 20 would likely adopt at their summit meeting on November 3-4 in France. It is "small beer." Had the countries in the Group forged development-oriented compromises to end the stalemates in the main global trade, financial and environmental forums, they might have made a more convincing case for appointing themselves the leaders of global economic policy making. They have not, but have nevertheless begun directing the international institutions to follow the G20's own development agenda. This note is offered to help understand the actions the Group is taking, which are quite detailed, but little discussed publicly.[2]

The Group of 20 (G20), originally an intergovernmental but technical financial forum at ministerial level, was transformed into a summit of G20 leaders in November 2008, as the global financial crisis spread fear in usually confident quarters while the world plunged into economic recession. The primary objective of the upgraded forum was to agree and act upon a coordinated economic rescue strategy. The leaders also agreed to work together to revise the international consensus on regulation of finance, whose laxness had been a prime cause of one of the worst financial crises in western history. While the issues of macroeconomic coordination and financial regulatory reform remain at the heart of its agenda, the G20 decided in 2010 to add promotion of development of developing countries to its agenda. Its Toronto Summit of June 26-27 thus created a Development Working Group (DWG), which it asked to draft a "development agenda and multi-year action plan."[3] These were presented and adopted at the G20's next summit, which was held in November 2010 in Seoul.

A year after adopting the Seoul Development Consensus for Shared Growth and the Multi-Year Action Plan on Development,[4] one may see that the G20 is not advancing the global

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[3] See "The G20 Toronto Summit Declaration," Toronto, June 27, 2010 (available at http://www.g8.utoronto.ca/g20/2010/to-communique.html), paragraph 47.

[4] See "The G20 Seoul Summit Leaders' Declaration, November 11-12, 2010," Annex I. "Seoul Development Consensus for Shared Growth," and Annex II. "Multi-Year Action Plan on Development" (available at http://www.g8.utoronto.ca/g20/summits/2010seoul.html), from which subsequent references are drawn.

development agenda in any major way.[5] The G20 has thus far taken or pledged to take only small policy steps (or called upon its members to honor previous commitments made in other forums, as on trade policy). The political will within the Group to forge bigger intergovernmental accords is apparently lacking. On each development issue it does address, however, the G20 requests analysis and policy proposals from the multilateral institutions which are then charged to carry out the proposals, although the G20 is not the governing body of those institutions. Moreover, the G20 agenda emphasizes private-sector actions, perhaps because agreement on facilitating the private sector was easier to achieve within the Group than on taking significant official national actions. Private sector contributions to development per se are not to be decried, but they are also not by any means the whole story.

In all, the G20 development initiative seems to have usurped discussions that could have been held in more inclusive intergovernmental forums. They have also swept decision-making into a private club that meets behind closed doors, following the practice of the earlier Group of 8.[6] In response, a group of non-G20 governments formed, seeking to bring the voices of smaller countries into this new decision-making process, as well as set limits to its arrogation of global authority. This "Global Governance Group" (3G), comprising 28 developed and developing country governments, thus requested in a letter circulated at the United Nations that any further work undertaken by the international institutions at the request of the G20 be first approved by the governing bodies of those institutions and that the G20 cover the un-programmed cost of the additional analytical and subsequent applied work to be performed (Global Governance Group, 2011).

The argument for upgrading the G20 to a leaders' forum in 2008 was that, as an ad hoc and informal group of powerful government heads invited to a meeting hosted by the United States President, it could act effectively on a global rescue package. Because of its limited membership and because participants represented only themselves and not constituencies with which they had to coordinate positions, the G20 could quickly agree and take actions essential for recovery. The same rationale, if less convincing, was also given for taking the reins of the reform agenda.[7] However one assesses that argument three years later, it is not turning out well for development.

It is the view of this author that while discussion of development policies in the G20 can be insightful, the Group should undertake its own policy research and its members should restrict their agreements to adopting and implementing policies at their own national levels (as on aid or trade commitments). Where the G20 has initiated policy discussions and initiatives affecting other countries, it should seek to transfer their full elaboration and oversight to a relevant global forum. The G20 would surely be welcomed to bring its joint positions on global issues to such forums, as is the standard practice of other country groupings, such as the Group of 77 and China, the Group of 24, indeed, the European Union. Like the other groups, the G20 should then

[5] Various dimensions of that agenda have been specified in the United Nations Millennium Declaration (2000), the Monterrey Consensus on Financing for Development (2002), the World Summit on Social Development (1995), the Beijing Declaration and Platform for Action for empowerment of women (1995), Agenda 21 of the Earth Summit (1992) and their subsequent updates.
[6] The Toronto Summit had marked the first time the G20 met "in its new capacity as premier forum for our international economic cooperation" (op. cit., paragraph 1).
[7] This included governance reform of the International Monetary Fund (see, for example, Bradford and Linn, 2009).

seek to build a global consensus around its ideas in the normal give and take of international deliberations. It should not be assumed that whatever the G20 proposes should *ipso facto* become policy in global institutions and forums affecting countries that are not G20 members.

In what follows, we examine the “pillars” of the G20 action plan on development and comment on the timid (and sometimes socially inattentive) proposals that the DWG is bringing to the G20 summit in Cannes, France on November 3-4, 2011.[8] The objective of the ensuing discussion is not to help the G20 better manage global development but to underline the distortions of the global agenda resulting from the limited perspective of the G20. While discussion in global forums can be frustratingly complex, more points of view are routinely taken into account and become part of what is in the end more representative collective policy making.

Infrastructure Investment

Developing countries on the Board of the World Bank and in the Joint World Bank and International Monetary Fund (IMF) Development Committee, especially middle-income countries, have been pressing for perhaps a decade for the Bank and its regional counterparts to put greater focus on infrastructure lending, the original primary activity of these institutions.[9] It is thus not surprising that the first “pillar” of the G20 Action Plan is infrastructure.

The first G20 action on infrastructure agreed in Seoul was to establish a temporary expert committee for a year, the “High-Level Panel for Infrastructure Investment,” which was to “mobilize support” for additional infrastructure investment, including through assessment of multilateral development bank (MDB) programs and plans. The other G20 action on infrastructure was to request the MDGs to prepare those plans.

At its June/July meeting, the DWG agreed to focus its attention on regional needs, particularly in low-income countries (LICs), especially in Africa. It also agreed to emphasize mobilizing private financial resources. As a result, the Group’s September conclusions emphasize the need for countries to have an “enabling” domestic environment for private investment.[10] Thus, it calls on bilateral donors and MDBs to provide relevant technical assistance on request on domestic governance issues that would ease investor concerns. It also sought to make more information easily available to investors in potential infrastructure projects, as by encouraging the MDBs to set up on-line “marketplace platforms.” In addition, the DWG sought stronger coordinating and streamlining of project preparation and procurement processes,

[8] The list of DWG members, as of May 2011, included the G20 governments (including the EU), plus a number of invited guests, including Singapore, Spain and Ethiopia (the lone low-income country), as well as representatives of major international development institutions (Alexander 2011a, pp. 37-38). Presumably, only the G20 members participate in taking the final decisions.

[9] The concern was reflected as well in the revision to the joint Fund/Bank Debt Sustainability Framework for low-income countries, where the potential contribution of public investment to economic growth and national productivity was to be given greater attention when setting sustainability limits to sovereign borrowing (see IDA and IMF, 2010). Concern remained in the DWG that the Bank and Fund not prematurely dissuade productivity enhancing infrastructure investment in LICs owing to excessive caution about its impact on debt sustainability.

[10] Although the agreed DWG text calls for an “enabling environment for both private and public investments…” the focus of the infrastructure section is entirely on facilitating private flows (“2011 Report of the Development Working Group – Version Post Paris Meeting,” unpublished, paragraph 8).

emphasized public-private partnerships (PPPs), creating a network of PPP expertise, establishing guidelines for PPPs and so on.

In addition, the Group in June had asked the High-Level Panel to propose ways to better mobilize private funds, including through assessing the effectiveness of guarantees, use of securitization and other means. This is a request well within the expertise of the Panel, which has a heavy participation of investors and deal makers (Alexander, 2011b). It also asked the Panel to develop criteria for identifying what it later called "exemplary" infrastructure projects (not obviously a task for a financial panel) and to name a group of projects that met those criteria, which might then be monitored going forward, with G20 governments possibly assisting project sponsors when they run into bottlenecks. The High-Level Panel will report directly to the Heads of State in November.

What the DWG has thus agreed on infrastructure seems to contain "good news" but also "bad news." Private financing has a role to play in infrastructure investment, but PPPs are only one type of private involvement and the track record of PPPs as a modality for private contribution to infrastructure investment is at best quite mixed (World Bank, 2006, chapter 4). In addition, the subjects addressed by the G20, while valuable, have already been very much the concerns of the project finance community.[11] Moreover, not all infrastructure investment lends itself to private involvement (e.g., city streets, to take a simple example), other than in private purchases of government bonds. Indeed, there is no inherent reason the DWG should look only to "private sector funding to fill the existing [infrastructure investment] gaps."[12]

Equally, it is as necessary to avoid private abuses and unfair dealing as it is to encourage private participation. The goal should always be to enlist the support of private resources for a public purpose and not vice versa. Some DWG reflection would have been appropriate in this regard on socially and environmentally oriented private investment guidelines (e.g., Equator Principles) and official ones (e.g., updated Sustainability Framework of the International Finance Corporation (IFC)).[13] One should hope that in forgetting to cite social and environmental safeguards the G20 is not calling for rolling them back in a push to encourage private sector investors. While the G20 calls may be appreciated to streamline assessment and procurement processes that are separately undertaken in different MDBs, calls to strengthen public oversight would have been equally warranted, even if inconvenient to potential investors.

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[11] For example, an informal private-sector led forum on techniques in infrastructure project financing, "INFRADEV," was created after the United Nations Conference on Financing for Development in 2002 and continues to bring together financial expertise from developing and donor/creditor countries, international institutions and the international financial sector (see http://www.globalclearinghouse.org/infradev/). In addition, in 2004-5, the World Economic Forum sponsored a series of multistakeholder dialogues on PPPs under the UN Financing for Development process (see http://www.un.org/esa/ffd/business/msc/wef/ppp.htm).

[12] 2011 Report…, paragraph 7.

[13] See, respectively, http://www.equator-principles.com/ and http://www.ifc.org/ifcext/policyreview.nsf. To be fair, the DWG does genuflect to environmental sustainability and food security (2011 Report…, paragraph 13), but a quick perusal of the concerns of the IFC underlines how impoverished is the DWG view (e.g., the IFC fact sheet explicitly addresses business and human rights, gender and indigenous peoples, forced and child labor, workplace safety, impacts on natural habitats, and access to information (including appeals of denial), as well as climate change impact). While abuses may still occur in IFC investments and many investments are not subject to these safeguards, such as those arranged through third parties, there is at least a framework for fighting abuses in a number of IFC cases, as in the safeguards policies of the World Bank itself (but see Alexander, 2011).

International Trade

In a very real sense, the Seoul Summit "punted" on the trade pillar. Only one action is specified, "Enhance trade capacity and access to markets," but the major barrier to greater market access is not addressed at all, namely to successfully conclude the stalled Doha Round of negotiations at the World Trade Organization (WTO). Here is an instance in which the G20 member countries have it within their power to breach the differences remaining after ten years of negotiation and sell a final package of compromises to all countries concerned. The beneficiaries would include developed and developing countries, including but not restricted to the "least developed countries" (LDCs) on which the Seoul development action on trade chose to focus.

In fact, the Seoul "action" promises no more than to "make progress" toward the 2005 commitment of developed country members of the G20 to allow 97% of imports from LDCs to enter duty-free and without quota limits. In fact, about 80% of developed country imports (excluding oil and arms) from LDCs enter under the promised terms, a ratio that is virtually unchanged since 2004 (United Nations 2011, p. 30).[14] The Action Plan also commits to "at least maintaining" Aid for Trade at the levels of the average of 2006-2008, and not to sacrifice other categories of official development assistance in so doing. However, Aid for Trade flows were growing in those years and thus the average is less than the data for the most recent year for most donors (United Nations, 2011, p. 37).[15] The G20 nevertheless requested the relevant international agencies to step up their capacity-building and trade-facilitation efforts. It also called for assessments of availability of trade finance for LICs (trade finance had been heavily impacted during the global financial crisis) and identification of the obstacles to greater regional trade integration in Africa.

As of its September meeting, the DWG had not added much. It's text on the value to LDCs of duty and quota free trade, as well as of "simple and transparent rules of origin" (meaning agreement on the amount of processing in an LDC required to count as "from" the LDC, a sticking point in the WTO negotiations) was in brackets, meaning not yet agreed.[16] Agreed paragraphs acknowledged that the coming December WTO Ministerial Conference offered "an opportunity" to make progress on trade policy issues, which is hardly a prediction of breakthroughs to come. It endorsed the "strong commitment" of African countries to regional integration, but did not promise to increase G20 support, although it could help bring to fruition its call for "an improved forum for exchange of information on trade facilitation," which it said could help advance regional integration. It reiterated the weak Seoul commitment on Aid for Trade noted above. However, it did recommend that the African Development Bank establish a trade-finance facility, to which it would presumably contribute, so that the impact of a cutoff of normal trade finance during global crises could be better mitigated. Such facilities already exist at the other regional development banks.

In short, in a policy area in which the G20 could be taking an important initiative, it did not accept the challenge. It is working around the edges of international trade policy for development.

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[14] Including oil but excluding arms, the ratio was almost 90% in 2009, as per the reference cited.

[15] Subsequently released Aid for Trade data for 2009 showed it continued to increase, as the cited reference shows. Data are not yet available for 2010.

[16] 2011 Report…, paragraph 17.

Private Investment, Job Creation and Skills

The economic dynamics of virtually every country is driven by private investment and so strategies to increase the volume and quality of private investment are highly germane. Alas, developed countries are not beacons of insight in this arena, judging from the unemployment rates and economic stagnation in the United States, Europe and Japan. Perhaps the proposals developed under this rubric should be first tried out in some of them. Nevertheless, the intended beneficiaries are again the LICs.

The Action Plan promised that the G20 will "support responsible value-adding private investment and job creation." There were three prongs to this effort. First was to select a preferred set from the existing multiple standards for "responsible" investor behavior and promote voluntary investor compliance with them. Second, the G20 seemed to believe that improved identification and measurement of quantitative indicators would increase the value-added and job-creation prospects of investments. Presumably, with better indicators, host governments could better identify and then pursue the best prospects (domestic as well as foreign). Third, the G20 would consider setting up a "G20 Challenge on Innovation," a competition among individual private investors to "showcase entrepreneurship aimed at solving social challenges."

The intention of the G20 was that the results from these prongs should guide the international institutions as they extend their assistance. Moreover, "existing international investment arrangements between G20 countries and LICs will be strengthened to promote investment in LICs." One may wonder if this latter is meant as a self-criticism of the bilateral investment treaties, European Union Economic Partnership Agreements and other arrangements that the G20 countries have already negotiated over the years with LICs, ostensibly for this very purpose.

In addition, the G20 promised to focus on several activities under a "human resources" rubric that are meant to support vocational education in developing countries, particularly LICs, and international aid programs that support such education. It appears that statistical definitions of skills differ across countries, impeding comparability and thereby the ability of donors to assess assistance needs in different countries. LICs themselves apparently have inadequate skill indicators or surveys of availability, impeding national recognition of needs gaps. The first Seoul human-resources action was thus to ask a group of international institutions to "develop internationally comparable and practical indicators of skills for employment." The second action, already accomplished at Seoul, was to ask a group of MDBs and other agencies to form a team to work with LICs that request assistance to develop "employable skills strategies" through strengthened vocational education, building on the "G20 Training Strategy" that had been developed for the G20 by the Secretariat of the International Labor Organization (ILO, 2011).

The September meeting of the DWG consolidated this agenda, while not promising much action. In effect, it took note of the interagency report it had commissioned on "responsible investment standards," saying it offered policy options, albeit without endorsing any of them. However, it also warned that "indicators and voluntary standards" should not be "abused for purposes of trade and investment protectionism." Indeed, fear of the latter—expressed as so-called green protectionism—has been an active concern of developing countries in the preparations for the United Nations “Rio+20” Conference on Sustainable Development, coming in June 2012.

The DWG welcomed a further joint effort of a selected team of international organizations to specify indicators of expected value added and job creation from private investments. The DWG proposed “field testing” these indicators in at least six countries that volunteer. The DWG also welcomed consultations toward “an internationally comparable database of relevant indicators of skills for employment,” while emphasizing that the intention is only to create a tool that developing country policy makers might find useful in seeking to ensure “that their labor market needs are met.”[17] Here, one can almost feel the hesitancy of developing country members of the G20 regarding allowing new doors to open for conditionality on donor/creditor assistance programs. One may also imagine a concern that an internationally harmonized set of skill indicators might be used to further restrict visas for temporary work permits in labor-importing countries.

At the same time, the DWG welcomed progress in a multi-agency LDC pilot project to support national skills development strategies and recommended a wider “roll-out” of the program based on the results of the pilot projects (presumably after they are assessed positively). As to the proposed competition, the so-called Innovation Challenge, the DWG recommended that it be launched at the November Summit in France. As per the DWG discussion in June, the winners of the Challenge would be presented at the 2012 G20 Summit in Mexico.

Is this good policy? The interagency team working on indicators was told to emphasize job creation, but creating “decent work” would have been a more appropriate criterion, as not all jobs are created equal. Indeed, the goal should be the long-run increase in decent work in the economy, which would result partly through the targeted investments, partly through linkages to other enterprises and more generally through socially-aware growth-inducing policies. In addition, when it comes to responsible investment, should not investment-receiving countries be encouraged to embody at least some standards in their domestic laws and regulations so that violators would be punished? That question was not even asked, but then neither did the Group endorse any of the possible guidelines that it wanted to review.

Countries at all levels of development seem to be increasingly concerned about a mismatch between worker skills and job openings. The problem seems to be as much about inadequate general education and schooling as specific job skills. Indeed, the successful worker of the future most probably will need to learn new skills all through his or her working life, whether in developing or advanced economies. Nevertheless, the G20 focus on employable skills could possibly relieve short-run bottlenecks. This notwithstanding, the G20 seems hardly the comprehensive forum in which to decide the full range of skill indicators needed or appropriate in developing countries.

Agricultural Production, Food Security and Humanitarian Needs

Effective access to adequate food is not only important for development, but has also been very much in the global public eye. It is also one of the stumbling blocks to agreement on the Doha

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[17] 2011 Report…, paragraph 25.

Round of trade negotiations at WTO and a most sensitive domestic political issue in most of the G20 countries. Indeed, the G20 accounts for all of the world's major grain exporters, except for Thailand and Vietnam in rice (Murphy 2011, p. 15), and thus any steps that might be taken to strengthen food security in food importing countries has to be set against possible political discomfort in the food sectors of the G20 countries.

The Seoul Summit committed the G20 to two actions to improve food security. The first pertained to improving and better coordinating international policies to increase food production in developing countries. The second would better mitigate risk from price volatility and better protect the most vulnerable. The components of the promised actions entailed either "underlining the need" to deliver on earlier promises of assistance or "upholding" agreeable principles, as well as the request, by now familiar to readers of this note, to the relevant international agencies to undertake analyses leading to policies that would meet the aims of the G20. Regarding food price volatility, the G20 asked eight international organizations to work with "key stakeholders" to "mitigate and manage" risks associated with volatile prices "without distorting market behavior," which is a curious formulation since the volatile food prices have precisely been "market behavior."

Independently of this initiative, the G20 agricultural ministers met on June 23 and adopted an Action Plan on Food Price Volatility and Agriculture.[18] As a declaration of 56 paragraphs and 6 annexes spread over 24 pages, it would seem to be either a path-breaking agreement or no agreement at all. One expert views it as the latter (Murphy, 2011). Nevertheless, the DWG has incorporated much of that document into its own work.

Reflecting the agricultural ministers' agreement and the political salience of the issue, the September DWG report devoted 21 paragraphs or sub-paragraphs to agriculture and food. It begins with a stark (and exaggerated) admission: "Agriculture was neglected for 20 years in development policies."[19] To make up for lost time, however, the DWG proposes little beyond existing pledges. It starts with a call for additional research, innovation and dissemination, in particular facilitated through development of a platform for considering innovative partnerships on tropical agriculture, and it welcomed the launch of a "global agricultural foresight hub." Presumably, the information sharing at the heart of this initiative does not extend to free use of patented and otherwise restricted seeds and other inputs. In fact, in recognition that the fruits of private agricultural research are not free, the DWG would welcome initiatives to pilot "advanced market commitments" (AMC) in agriculture, a technique that has been applied to encourage private pharmaceutical research on tropical diseases by committing to purchase yet-to-be-developed vaccines.[20] Unlike vaccines, however, which are routinely tested for safety, no caveats are expressed about potentially undesirable or unwanted side effects from agricultural innovation. This notwithstanding, additional agricultural research is imperative, particularly in the face of the expected negative impact of climate change on crop yields to feed a still-growing world population.

When it turned to steps to increase agricultural production, the DWG did no more than

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[18] It is available at http://agriculture.gouv.fr/G20-agriculture.
[19] 2011Report…, paragraph 28.
[20] On the initial AMC project to develop a vaccine for pneumococcal diseases, see GAVI (2011).

welcome already existing initiatives, including those by the MDBs to scale up their lending, and the Global Agriculture and Food Security Program, which is the follow-up mechanism established at the request of the G20 at its 2009 Pittsburgh Summit to assist in implementing the pledges by the Group of 8 (and others) at their July 2009 L'Aquila Summit to increase agricultural aid.[21] The DWG also promised, presumably through individual and joint aid programs, to emphasize assistance to smallholder producers, including women, to strengthen linkages of smallholders to markets, to help develop risk-management tools for smallholders, to ensure their access to credit, improve infrastructure, and so on. Besides these traditional types of activities, the DWG singled out development of a PPP Platform for dialogue with the World Economic Forum, a premier private investor advocacy organization, while also encouraging all countries to uphold the Principles of Responsible Agricultural Investment developed by a World Bank-led interagency team that addresses recent sensitive issues such as large-scale foreign investment in land in poor countries ("land grabs").[22]

On food price volatility, the DWG voiced support for a number of initiatives, including an assessment by the MDBs that cited the need for contingent financing to counter exogenous shocks, as well as additional risk-mitigating instruments that developing countries could afford to help manage price shocks.[23] It also acknowledged the need for greater transparency in agricultural markets, as will be supported by the new interagency Agricultural Market Information System. Unfortunately, reports in the press say no additional funding has been provided to FAO to support hosting it and large grain traders who make money on privately held information have only been urged to cooperate with the new system (Lawrence, 2011).

Further, the DWG voiced support for setting up a "risk management advisory mechanism" to share information and best practices among donors, MDBs and aided countries, and recommended further exploration of a range of proposals and already existing national policies that might be adopted by additional countries, including a number of initiatives in Africa. However, while the DWG thus addressed various ways to cope with food price volatility, it said nothing about reducing the volatility itself. In contrast, when the G20 agricultural ministers had considered the matter at their meeting in June, they at least explicitly referred the question to the G20 finance ministers for decisions on whether volatility might be reduced through better financial market regulation (paragraph 55).

In addition to the problems that international price volatility causes, severe drought and other natural calamities raise the imperative for adequate humanitarian access to global food supplies. Again, the DWG expressed its appreciation for various initiatives, including those responding to requests of its own agricultural ministers, and agreed to coordinate support in the movement for "scaling-up nutrition." It also underlined a decision announced in the agricultural ministers June text (paragraph 40), which was to exempt from export restrictions food being

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[21] See http://www.gafspfund.org/gafsp/content/global-agriculture-and-food-security-program.

[22] For an exposition highlighting the 7 principles, see http://www.responsibleagroinvestment.org/rai/node/256. For a statement opposing the principles by a group of non-governmental organizations and networks, see http://typo3.fao.org/fileadmin/user_upload/fsn/docs/HLPE/RAI_NGO.pdf.

[23] For example, the IFC and J.P. Morgan announced on June 21, 2011 a new financial instrument in which IFC would accept some of the risk in hedging (a form of insurance) against adverse price movements in a number of commodities, lowering the risk to Morgan and thus making the instrument less costly to potential users, including large producers, buyers, cooperatives and local banks (World Bank Press Release 2011/559/EXT).

purchased by the World Food Program for non-commercial humanitarian purposes.

In all, the conclusions that a critic made of the agricultural ministers' June meeting seems to apply as well to the September DWG discussion of food production and security: "They touched on a number of the central issues. Some were developed in some detail, including the need for greater transparency and market information, and the need to invest in greater agricultural productivity. Other issues, as important and more directly touching on G20 domestic politics, did not fare so well" (Murphy 2011, p. 14).

Domestic Resource Mobilization (Taxes)

The Seoul pillar on domestic resource mobilization sought to assist developing countries to raise public revenues through more effective tax policy, tax administration and better inter-governmental cooperation in dealing with cross-border economic activity, such as in taxing multinational enterprises (MNEs). It contained two actions: developing "more effective tax systems" and helping to "prevent erosion of domestic tax revenues," a polite term for addressing tax evasion. The first action requested work from a group of international agencies and the second from the Global Forum on Transparency and Exchange of Information for Tax Purposes, based at the Organization for Economic Cooperation and Development (OECD).[24]

The DWG broke no new ground in September. Its agreed text commits to deepening technical cooperation for capacity building and calls on the Global Forum at OECD to offer a platform for coordinating multilateral organization technical assistance. This is a little odd, as a forum of international donors and governments, the International Tax Dialogue (ITD), had already been created in April 2002 as one outcome of the call in the Monterrey Consensus on Financing for Development to enhance international cooperation on tax matters.[25]

Perhaps there is a subtle political message in the DWG proposal for a new coordination platform, as the Global Forum is open to non-members of OECD as well as members. The United Nations did not join the ITD when it was formed (although it cooperates with it) because OECD, a limited membership organization, was a charter member, whereas the other founding members, IMF and the World Bank, are UN specialized agencies. If this is the problem, a political solution might be to reconstitute the Global Forum, which is in any event open to all countries, as a United Nations technical assistance project, funded by voluntary contributions, which could still be based in Paris and still be guided by a steering committee elected from its members. Technical and policy oversight could be provided by the UN Committee of Experts on International cooperation in Tax Matters, a highly qualified body on which the relevant international agencies sit as observers, along with civil society organizations. The Committee is under the Economic and Social Council.

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[24] The Global Forum is the successor to a controversial OECD initiative to curtail developing country tax havens that followed after an agreement at the Lyon Summit of the Group of 7 in 1996 to limit "harmful tax competition" (See "Economic Communiqué: Making a Success of Globalization for the Benefit of All" Lyon, June 28, 1996 (available at http://www.g7.utoronto.ca/summit/1996lyon/communique.html#eco4), paragraph 16). The current version of the Global Forum dates from 2009 and has attracted participation of 101 members; it considers standards for transparency and exchange of information and members undertake mutual peer reviews (see OECD, 2011).

[25] See http://www.itdweb.org/Pages/Home.aspx.

In addition to process matters, the DWG made a number of substantive recommendations, certain of which reveal current limits to international cooperation, beginning with urging MNEs to "improve transparency and full compliance with applicable tax laws."[26] Tax laws are not voluntary, although the inability of some developing countries to enforce their tax laws apparently makes them so. Technical assistance will increase that ability, but one may also imagine sanctions that G20 countries could impose on corporations that cheat poor countries out of their rightful tax revenues. This is assuredly not on the G20 agenda, as it was only able to forge weak agreement on far less controversial opportunities for tax cooperation. In particular, the DWG commitment to help in the fight against illicit capital flows is disappointingly narrowed by placing it in the context of dealing with tax havens and non-cooperative jurisdictions. Indeed, the G20 has not even agreed on how to fight corruption, as "some G20 countries" felt the need to "encourage other *members* to explore ways of developing voluntary standards on the disclosure of payments to governments by MNEs (emphasis added)."[27] Of course, there is a ready-made model that governments could adopt, at least in one important economic sector, the Extractive Industries Transparency Initiative. Similarly, the G20 is not agreed on participation in the Multilateral Convention on Mutual Administrative Assistance in Tax Matters. While "many G20 countries have or intend to sign" the agreement, the DWG encouraged other jurisdictions to sign, apparently including other G20 members.

At a time when some of the major powers (e.g., Germany, United States) have aggressively pursued their own tax cheats and forced reduction of financial secrecy practices, as in Switzerland, one could think that the G20 might agree to more forceful action on tax cooperation. Problems in collecting tax revenues or setting appropriate tax rates are certainly relevant to the concerns about fiscal sustainability in some developed countries, notably Greece, as well as some developing countries. The issue is thus both general and highly salient, but consensus among G20 members on action seems elusive. As in the case of trade, if the G20 countries reached a strong agreement to impede tax evasion and fight corruption through international cooperation, it could sell the deal to the rest of the world and strike a blow against illicit movements of funds everywhere. Failing that leadership, which is the *raison d'être* of the G20, there is no obvious case for the G20 having an oversight role in international cooperation on tax matters. Moreover, the G20 has totally avoided other pertinent issues in domestic fiscal affairs for development, e.g., how to deal with excessive sovereign debt that results from years of inadequate tax revenues and unsustainable budget outlays.

Social Protection of Vulnerable Populations

In its original formulation, the Seoul Agenda contained a pillar called "growth with resilience," although its focus was not economic growth per se but the well being of people in developing countries. The first action under this pillar was to strengthen "social protection systems" in developing countries, focusing primarily on "helping vulnerable communities to deal with external shocks." The second action was to help reduce the cost of remittances, a major source of income transfers to poor people in developing countries from relatives working abroad. In its September meeting, the two "actions" were treated separately, as will be done here.

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[26] 2011 Report…, paragraph 35.
[27] 2011 Report…, paragraph 36.

While the DWG recommends "the implementation or expansion of social protection floors," it leaves to each country to define its own floor according to its circumstances, while recognizing a complementary role of the private sector and civil society in designing national social protection policies.[28] At its June meeting, the DWG had spoken of drafting 8 "guiding principles" in this regard, but no mention of them survived into the September text. In any event, such an exercise seems best left to a broader forum, such as ILO or the UN Commission on Social Development.

In addition, the DWG recognized that social protection programs need to be financially sustainable and served with timely and accurate information. Regarding the latter, the DWG noted the "Global Pulse" initiative of the UN Secretary-General, which had been initiated in response to a request of the G20 at its London Summit in 2009.[29] The initiative employs advanced information and communication systems and software to draw upon indirect but timelier sources of data than are traditionally available (e.g., changes in cell-phone minutes purchased) from which inferences can be made to help trace difficulties as they are emerging (Kirkpatrick, 2011).

As with other topics, the DWG proposed establishing a new forum for coordination and a new platform for knowledge sharing, drawing in particular on the experiences of middle-income countries that could be useful in LICs. The DWG specified in these particular cases that the multilateral institutions should respond to its requests before the G20 Mexico Summit (June 2012).

The recommendations here reflect an awareness of social imperatives of development, paying attention at least to its anti-poverty aspects. Additional policy areas could have been addressed—indeed, are addressed in other forums—such as inclusion of marginalized populations into the economic mainstream, a major concern, for example, in countries with significant subsistence sectors, or where gender rights are seriously impaired.[30] While the efforts noted above are germane, one may wonder why the DWG has been selective in its social vision. Can it be because relevant voices were missing from the conversation?

Charges for Remittance Transfers

There has long been a concern—for example, expressed in the Monterrey Consensus of 2002—to see reduced charges imposed by private firms that transmit small amounts of funds across borders (both open fees and fees embodied in unfavorable exchange rates). Such transfers are mainly made by overseas workers trying to send money home to families. While increasing international competition and technological innovations have reduced the costs substantially over the past decade, especially in high-volume remittance corridors, more can be done and the DWG calls for action in this regard.

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[28] 2011 Report…, paragraph 54.

[29] G20, "London Summit – Leaders' Statement," April 2, 2009, paragraph 25 (see http://www.g8.utoronto.ca/g20/summits/2009london.html).

[30] See, for example, the issues discussed under the rubric of "social inclusion" in the Copenhagen Declaration and Program of Action adopted at the World Summit for Social Development, March 6-12, 1995 (see http://social.un.org/index/Home/WSSD1995.aspx) and in follow-up intergovernmental discussions and Secretariat analyses at the United Nations since then (e.g., United Nations, 2009).

The G20 is both a major source and major recipient of remittances, accounting for half of global inflows and 55% of outflows, according to the DWG June discussion. The G20 thus has domestic as well as international solidarity reasons to want to reduce the cost of remittances. Based largely on papers prepared by the World Bank, the Group has decided to recommend to the Heads of State that they adopt a target of 5% of the value of funds transferred as the average cost of remittances and that the target should be reached by 2014.[31] The DWG also encouraged other countries to join in trying to meet this target and has developed a "toolkit" of measures that have led to reduced remittance costs for use in interested countries.

Other Issues and Next Steps

The Seoul Action Plan contained one additional substantive topic for G20 cooperation on development and one additional point on process. However, the Seoul meeting allocated the substantive issue to a different body, which it created for the purpose, the Global Partnership for Financial Inclusion. The September DWG conclusions thus in essence looked forward to what that Partnership would report to the Heads of State in November (for background, see the annex to this paper). By the same token, the DWG looked forward to outcomes from the High-Level Forum on Aid Effectiveness, which will take place after the November Summit, while also committing itself to promoting "triangular cooperation" (in which, for example, the North finances South-South technical assistance). In fact, the DWG had very little direct discussion of official development assistance.

The point on process took the form of an expression of confidence in the strategy seen throughout the DWG's work thus far of fostering "knowledge sharing" networks or platforms. The DWG will look to develop "best practices and principles" for this approach as it gains experience jointly with its international organization partners.

Meanwhile, looking forward, the DWG agreed to take into account lessons it has learned in the current work cycle and narrow its focus during the next one "on a small number of high priorities," albeit while monitoring the broad work program it had set in motion. The DWG also noted that Mexico, the incoming chair of the G20, intended to "prioritize key issues it wishes to pursue," which also seems to promise a narrowing of the agenda.[32] Indeed, this might be an opportunity to redefine the role of the G20 in development, limiting its actions to those that its member countries would themselves undertake and otherwise developing proposals that it would bring to the international community for its consideration.

Annex. Increasing Financial Inclusion of the Poor

Since the Pittsburg Summit of September 2009, the G20 has been promoting extension of financial services to under-served populations, which are primarily poor people, but also often women of various income levels. Indeed, this has been a focus of international political attention for many years, highlighted by the enthusiastic celebration in 2005 of the International Year of Microcredit at the United Nations, in anticipation of which the Group of 8 (G8) endorsed a set of

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[31] This proposal is precisely the type of action that this note argues is appropriate for the G20 to take.
[32] 2011 Report…, paragraph 70.

donor microfinance principles at its 2004 Sea Island Summit.[33] In more recent years, advocates for micro-financial services have become more restrained in their claims, following confounding research findings on limited effects in poverty reduction, observation of very high profits of privatized microcredit banks that charge high interest rates, and a spate of suicides said to be associated with over indebtedness, as in Andhra Pradesh, India.[34] Nevertheless, people who do not use formal financial services deserve access to appropriate forms of them. In addition, SMEs that are too large to qualify for microcredit and too small to be desired customers of commercial banks also require better access to financial services. Thus, although not the answer to overcoming global poverty, the international community could do worse than facilitate extending an affordable set of financial services to the "unbanked."

The Pittsburgh Summit launched a G20 Financial Inclusion Experts Group (FIEG) to distill lessons from the multitude of approaches to expanding access and use of financial services by potential micro and SME customers around the world, including experiences in regulation and policy. The experts were also asked to draft standards for financial access, financial literacy and consumer protection. In addition, the G20 in Pittsburgh agreed to prepare an international competition to attract innovative private-sector proposals for how "public finance can maximize the deployment of private finance [for inclusion] on a sustainable and scalable basis."[35] The G20 advanced this agenda at its next summit meeting in Toronto by adopting a set of "Principles for Innovative Financial Inclusion," nine broadly stated guidelines, including, for example, "leadership" to be shown by government, "diversity" of market-friendly approaches to expanding credit, savings, insurance and payments services, and "proportionality" in regulation, according roles to government, service providers and consumers.[36]

The Seoul Summit brought closure to these efforts by adopting the G20 Financial Inclusion Action Plan, as proposed by the FIEG, while also creating the Global Partnership for Financial Inclusion (FIEG successor) and promising a "flexible SME Finance Framework" to mobilize funds to try out the winning proposals in the SME finance competition.[37] The first action adopted in Seoul under the Financial Inclusion development pillar was thus to convoke the Global Partnership, which is to work in close collaboration with IFC (the G20's main technical advisor on micro and SME finance), the Consultative Group to Assist the Poor (CGAP, a microfinance donors' consortium, housed in the World Bank), and the new Alliance for Financial Inclusion (AFI, a network of central banks and other financial regulators in developing countries).[38] The Global Partnership thus extends beyond the G20, although founded by it. It is

[33] The G8 commitment was contained in "G8 Action Plan: Applying the Power of Entrepreneurship to the Eradication of Poverty," Sea Island, Georgia, United States, June 9, 2004 (available at http://www.g7.utoronto.ca/summit/2004seaisland/poverty.html). On the United Nations activities, see http://www.yearofmicrocredit.org/.

[34] Consider the more measured tone in the latest report from a major advocacy organization (Reed, 2011).

[35] "G20 Leaders' Statement: The Pittsburgh Summit," September 24-25, 2009 (available at http://www.g8.utoronto.ca/g20/2009/2009communique0925.html), paragraph 41

[36] See "Principles for Innovative Financial Inclusion," Toronto, June 27, 2010 (available at http://www.g8.utoronto.ca/g20/2010/to-principles.html).

[37] See "G20 Seoul Summit Leaders' Declaration," op. cit., paragraph 9. The Action Plan may be found at http://www.afi-global.org/hiddendownload/Financial_Inclusion_Action_Plan_FIEG.pdf.

[38] AFI is administered by German International Cooperation (GIZ) and funded by the Bill and Melinda Gates Foundation; its members include one or more institutions in 77 economies plus two regional bodies from Francophone Africa. As a key "implementing partner," AFI is a major vehicle for bringing non-G20 developing

meant for information sharing and undertaking further analyses through task forces, collective monitoring of progress, and mobilizing financial support as needed.

The second action in the Seoul pillar entailed seeking financing to implement the proposals that were to be selected in the SME Finance Challenge. The competition was run for the G20 by the Ashoka Changemakers Foundation, which reports there were 341 entries, from which a team of 8 experts selected 14 winners from 10 countries.[39] Ashoka also announced that $558 million dollars had been mobilized from G20 countries to fund the winning projects. The third action under the inclusive finance pillar is to implement the Action Plan, parts of which were already addressed in the first two actions. Additional measures could entail steps that donor or technical assistance providers would take or commitments governments would take to strengthen their own financial inclusion (e.g., the Action Plan illustrated the leadership principle by noting that Mexico committed to achieving full financial inclusion by 2012). Some attention would also be directed at further incorporating financial inclusion objectives into the work of international regulatory standard setting bodies, as well as strengthening data availability for policy making.

The G20 will monitor implementation of these actions through reports that the Global Partnership is asked to present to the G20 Summit in France in November 2011, and presumably annually thereafter. However, while the interest of G20 countries in promoting financial inclusion is welcomed, a host of non-G20 bodies and institutions will now report to and receive policy direction from a small and self-selected group of authorities. It is not clear why this should be.

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countries into the Global Partnership, if only their financial regulators. However, the Partnership seems flexible in "engaging partners from G20 and non-G20 countries, private sector, civil society, and various regional, national and international bodies for systematic coordination and implementation of the Action Plan," according to the AFI (http://www.afi-global.org/en/member-activities/gpfi).

[39] See http://www.changemakers.com/SME-Finance, where the winners – indeed, all the entries – are described.

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