

SEPTEMBER 2010



The G20 and the global governance of development

Nils-Sjard Schulz

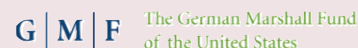
>> Under the Korean chairmanship, the G20 is committed to engaging in the global development agenda, just in time for the Millennium Development Goals (MDG) Summit in September 2010 and the High-Level Forum (HLF) on Aid Effectiveness in 2011. But the main contents and tools still need to be designed, and strategic, policy and practical challenges remain. This policy brief suggests ways in which the G20 could usefully advance development debates.

DEVELOPMENT AIMS FOR THE G20

While the G20 aims to consolidate its natural habitat in the area of economic development, and in particular economic growth, there has been slow progress towards the MDGs. Improvements do not necessarily require building additional structures, but rather articulating efforts within existing platforms, especially at the UN, OECD-DAC and the IFIs.

The current global development agenda is built upon the MDGs, Monterrey Consensus and Doha Declaration, as well as development cooperation practices enshrined in the Paris Declaration and Accra Agenda for Action. The G20 development chapter could revise these in the following ways.

Objectives: Pressure is mounting to accelerate progress towards the MDGs and, as demanded in the recent report of the UN Secretary General, to 'keep the promise' for 2015. Cautious satisfaction can only be expressed where some health-related MDGs are concerned. However, extreme poverty and hunger remain difficult to eradicate, and full employ-



This policy brief forms part of a project undertaken jointly by the Club of Madrid, FRIDE and the government of Korea, with the support of the German Marshall Fund of the United States, the Friedrich Ebert Stiftung and the Korean Institute for International Economic Policy.

»»»»» ment with adequate conditions is not being ensured. In this area, the G20 needs to develop clear messages explaining how economic development, in particular which economic and social policies, could boost the MDGs over the next five years. Recent analysis suggests that growth can help to achieve MDGs, but sound public policies also need to be in place, including wealth distribution and pro-poor public expenditure.

While sub-Saharan African low income countries (LICs) in particular struggle with reaching the MDGs, emerging economies and MICs encounter development challenges not covered by the MDGs, such as social equity, youth employment, higher education, citizen security, public sector reform and others. Paradoxically, while the growing number of MICs is a proxy for successful national and global development policies, it also poses uncomfortable questions for an agenda which mostly focuses on LICs.

**ODA COMMITMENTS:
PROMISES AND REALITIES**

	ODA/GNI	
	2010 promised	2010 projected
EU DAC donors	0.59	0.48
United States	0.18	0.2
DAC donors	0.36	0.3

<http://www.oecd.org/dataoecd/20/19/44607047.pdf>

Resources: Even before the financial crisis began, meeting the Monterrey Consensus and the financial pledge of the 2005 Gleneagles Summit of the G8 was somewhat of a challenge. European donors were struggling to keep to their roadmap of dedicating 0.56 per cent of their GNI to development cooperation in 2010. Since 2009, it has become evident that the commitments will not be met, with some donors cutting back heavily on their aid budgets and developing countries such as Uganda affected by aid budget cuts of up to 35 per cent. Here, the G20 needs to design a consistent position to explain what role Official Development

Assistance (ODA) should play on the road to recovery, for both providers and recipients.

On the other hand, the seismic changes in the global distribution of wealth require a revision of an aid system which only focuses on North-South transfers. South-South cooperation has a growing share in global ODA. A recent DAC Issues Brief estimates that non-DAC donors invested \$12–14 billion in development cooperation in 2008, roughly 9–10 per cent of global ODA, with G20 members Saudi Arabia, China and India being the biggest contributors. It is therefore not surprising that, as stated in the EU *communiqué* last April, ‘fair international burden-sharing with other international donors – including emerging ones – to raise their level of ambition’ has become part of the considerations of many traditional donors. Considering the significant gaps and differences in roots, philosophies and forms of cooperation, the G20 now has a key role to play in readjusting the balance of resources available for developing countries.

Finally, there is also an urgent need to revitalise the Monterrey spirit and look beyond the mere ODA lens. With traditional donors being immersed in painful structural adjustments themselves, developing countries and in particular MICs need access to a more diverse range of financing sources, while advanced countries should take a fresh look at policy coherence. All types of international contributions need to be geared towards development, including trade, FDI and foreign debt. Another chapter to be addressed is domestic resource mobilisation. Here, many developing countries need support for better tax systems and consistent anti-corruption efforts. Both the international and national resources for development need to be channelled through more effective and transparent public sectors, with sound public financial management playing a critical role for both development and resilience against shocks and crises.

Standards and practices: Development cooperation already has a long history of failures and (limited) successes, which includes periodically

Tensions around 'burden-sharing' should be addressed within the G20 as soon as possible

returning periods of 'fatigue'. The introduction of standards and good practices could ensure a high level of quality and effectiveness, thereby helping to convert the resources into actual results. This in turn could convince tax payers in donor countries of the value of development cooperation. The 2005 Paris Declaration on Aid Effectiveness, reinforced by the 2008 Accra Agenda for Action, establishes a series of principles which are accounted for by both donors and recipients. These commitments not only guide development actors towards a more equal partnership, but also

incentivise improved governance, in particular better country systems and public sector capacities. Although progress on the donor side has been patchy, the overall logic seems to be working: the 2008 review of the Paris commitments shows that many developing countries are reforming their public sectors.

A further injection of energy comes from the South-South learning and knowledge exchange, which has become a crucial element for boosting effective horizontal partnerships. With Korea chairing the G20 and at the same time hosting the next HLF on Aid Effectiveness in late 2011, special attention should be paid to the partnership dimension of the Paris and Accra commitments and the replicable lessons for institutional change.

South-South knowledge exchange and mutual learning on 'proven' development solutions can generate new dynamism to reform today's rather donor-driven support to capacity development. As a platform gathering the advanced and the 'in-between' countries in particular, the G20 needs to take into account the growing diversity of development models and paths which also require new forms of collaboration and cooperation.

WHAT NEEDS TO BE DONE IN 2010?

The stakes for the development agenda of the G20 are high. The rather unpredictable context for global development requires both smart and quick decisions regarding where to engage and with which processes to connect. As such, the G20 has at least two specific comparative advantages to build upon:

- It can help to bridge the gap between North and South, developed and developing, by bringing on board the most relevant non-OECD economies and building trust among its diverse members.
- Out of necessity and conviction, the G20 should not create parallel platforms, but rather ensure smart coordination with existing processes, for example at the OECD, UN and the regions.

Against this background, the following steps towards building a development agenda could be taken in 2010:

- Host a forward-looking dialogue on development objectives and the underlying rationale to achieve them, including a sound narrative on the link between growth and MDGs based on evidence and country-level practice. Initial ideas need to explore how to upgrade the MDGs beyond 2015, addressing critical development challenges such as climate change, energy and food security. The perspectives of MICs need to be integrated more consistently, hand-in-hand with the expectations of LICs. This dialogue should be conducted in close consultation with non-G20 developing countries. The UN conferences as well as regional platforms can contribute essential synergies to the discussion. The G20 might need to designate its members to help mobilise the developing countries in their corresponding regions around an open-minded reflection on development goals beyond 2015.
- Initiate a transparent discussion on financing for development, critically reviewing the feasi-



4

»»»»» bility of the existing roadmaps and establishing reasonable aims towards 2015. This debate should also explore the role and contributions of emerging economies and MICs as partners in the global fight against poverty. Probable tensions around ‘burden-sharing’ should be addressed within the G20 as soon as possible. The Monterrey spirit, with its more integrated mix of financing sources, needs to be boosted. The most obvious linkages can be found in the area of domestic resource mobilisation and sustainable foreign debt, in addition to ODA. While this discussion should take place in a more protected space for negotiations, consultations and feedback should be undertaken with the UN-ECOSOC, the G8 and donor groups such as the EU and the Arab Coordination Group.

- Strengthen the fulfillment of and education regarding standards and practices of effective development cooperation. With a view to the Korean HLF, additional energy could come from a better narrative around ODA as a trigger for pro-poor growth. The involvement of new development actors in the standard-setting process will be key for long-term legitimacy. South-South knowledge exchange could become another important entry point for revising the current premises of North-South aid, especially in the area of national capacities in the public sector. This agenda might open interesting options for non-G20 developing countries willing to engage in this dialogue; countries which are currently preparing strategies within the platforms such as the OECD-DAC, the UN-DCF and the existing regional processes.

WHAT ARE THE PENDING TASKS FOR 2015?

In the medium term, the G20 could become a clearing house for building an effective and inclusive development agenda within the existing decision-making and standard-setting processes. In the period 2010–2015, the existing global gover-

nance on development faces systemic challenges at all levels (objectives, financing and standards). Considering both the progress and the shortcomings of existing multilateral institutions, the G20 should aim for smart coordination in order to ensure a proactive flow of proposals and policy guidance from the G20 to platforms such as the UN and the OECD-DAC. Bringing together conventional donors and new development actors should involve both the G20 members and actors from the broader international development context. An ‘extended donor club’ should be avoided through a consistent representation of the developing world, for example through regional consultations informing the G20 debates and strong practice-policy linkages.

At the level of content, continued efforts should be invested in a thorough review of assumptions and expectations in order to:

- Build a post-MDG agenda with internationally agreed goals able to reflect the balance and synergies between ‘hard’ economic development and the social outcomes of the Millennium Declaration, as well as the need to cope with pressing development challenges. These global development objectives should be adaptable to specific developing country situations, the diversity of which (ranging from fragile states to MICs) will increase over the next five years. In coordination with the UN, a new ‘MDG+ consensus’ should draw on national contexts and, within a learning-friendly approach, guide development efforts up to 2030.
 - Update the Monterrey Consensus within the valid bid for a diverse menu of development financing sources. Between 2010 and 2015, the G20 could boost a strong dialogue with the new development actors on their contributions as part of the overall financing architecture. Taking into account that the relationship between advanced, developing and ‘in-betweens’ countries has become more horizontal, the UN-led Monterrey/Doha process could benefit from strong G20 support to ending aid dependency; an aim of the developing countries which are
-

most proactively reforming their public sector. A particular historic opportunity could be activated through South-South trade liberation, an area in which coordination with the WTO and the UNCTAD could help to foment a new and innovative understanding of South-South growth. Finally, the review of financing for development cannot ignore the overall need for an inclusive financial architecture, especially in relation to the revised voting shares at the International Financial Institutions, in particular the IMF and the World Bank.

- Boost a true development partnership based on enforceable mutual commitments. The 2011 HLF in Korea faces the challenge of maintaining the momentum for the standards reflected in the Paris and Accra agreements, while responding to an increasing horizontality between providers and recipients of development cooperation. Knowledge exchange will reinforce the trend

towards horizontal partnership, and is of high value for the G20 and its non-OECD members in particular. On the other hand, the current voluntary character of mutual commitments in aid relations should evolve towards contractual elements, an area in which the EU has already experience. Partnership contracts should not only address aid quality and efficiency issues, but also look into deeper-rooted challenges and beyond-aid goals of global development partnership. In this context, a key responsibility of the G20 lies in its capacity to bring diverse actors together around a new generation of development partnerships which, beyond the conventional North-South dynamic, needs to reflect the contributions of developing countries to the fight against poverty.

*Nils-Sjard Schulz is an associate fellow
at FRIDE*