

The G20 – Driving development behind closed doors

Nils-Sjard Schulz

»» In the midst of the hectic search for solutions to the Euro debt crisis, the G20 Summit in Cannes provided very little space for the first anniversary of the Seoul Consensus on Development. Though, the applause would probably have been lukewarm even in the best scenario. The G20 development agenda has had so far limited added value to ongoing global development processes. It lacks both institutional strength and a convincing narrative. Moreover, short-lived celebrity initiatives, such as the financing report submitted by Bill Gates, cannot distract from the weak performance of the G20 as a development driver. However, the run up to the Mexico Summit in June 2012 provides a number of short-term opportunities for world leaders to engage more effectively in shaping the global governance of development.

WHY A G20 DEVELOPMENT AGENDA?

Development cooperation tends to be a low priority in periods of crisis, as global powers look inwards and worn out policymakers take rapid decisions behind closed doors. Considering the multiple economic and political challenges its developed members currently face, why should the G20 also engage in the global development agenda?

One reason lies with the high expectations on the G20 as one of the most important multilateral platforms. When endorsing the Seoul Development Consensus in the 2010 Summit, the G20 Finance Ministers were well aware of the need to build a medium-term role for the G20 beyond that of a crisis control centre, and to ensure sustained legitimacy. Developing country members see a G20 mandate on poverty reduction as providing

HIGHLIGHTS

- Launched with high expectations, the G20 engages in the global governance of development in a spontaneous and opportunistic way.
- Lacking a convincing narrative and implementation capacities, the G20 Development Working Group has not yet demonstrated its specific added-value on the global development chessboard.
- The G20 must present a coherent storyline, overcome its closed-door culture and build capacity to implement its development action plan.

»»»»» this legitimacy and offering a channel of communication with non-members, particularly low-income countries (LICs).

Another reason is that the G20's focus on economic and financial issues means that it features a more neo-classical approach to development, which is appealing to many countries. Progress in the Millennium Development Goals (MDGs) is unsatisfactory. Moreover, these goals mostly reflect a human development agenda, which many middle-income countries feel do not adequately reflect their specific challenges. In contrast, the Seoul Consensus on Development and its Multi-Year Action Plan (MYAP), launched one year ago, adopts a narrative of economic growth as a prerequisite for development and poverty reduction. The G20 Development Working Group (DWG) leads this renewed bid for 'hard targets' in areas such as infrastructure, regional trade and agriculture.

Critically, the DWG is currently the only arena in which high-level representatives of the old donors club, the OECD Development Assistance Committee, meet regularly with counterparts from the emerging economies to outline strategic directions in development. Overcoming the flaws of the previous G8+5 model, today's G20 development agenda not only involves the BRICS (Brazil, Russia, India, China and South Africa), but also some third-generation development players, including Indonesia, Mexico and Turkey.

A final reason for pushing a development agenda at the G20 lies in its mix of inclusiveness and straightforward decision-making. Some observers stress that the DWG adds significant value to the evolving global development agenda, as compared to other platforms that lack legitimacy (such as the OECD-DAC) or effectiveness (such as the United Nations Development Cooperation Forum, DCF).

IS THERE A G20 COMPASS FOR DEVELOPMENT?

The thematic guide to the G20 development agenda is still to be written. Neither the 2010

Seoul Consensus, nor the follow-up work of the DWG, has clarified the underlying development narrative. There is a need to re-explore the global understanding of how to reduce poverty in a multi-polar world, but the G20 has not yet been able to come up with a new development story, for example concerning the links between economic growth and social objectives.

So far, the G20 development compass is turned toward a series of loosely connected priorities. The 2010 Seoul Consensus establishes nine thematic areas ('pillars') to be implemented through the MYAP by the DWG, which is co-chaired by Korea, Mexico and South Africa. The pillars originally included infrastructure, private investment and job creation, human resource development, trade, financial inclusion, growth with resilience, food security, domestic resource mobilisation, and knowledge sharing.

Importantly, the rotating presidents take a leading role in setting the agenda during their annual mandates. In 2010, the Korean presidency championed the first-ever G20 Development Consensus with an eye on the Busan High-Level Forum (HLF). In addition, the government in Seoul also wanted to share its own impressive development success based on straightforward public policies and public-private partnerships. Following the priorities of the incumbent G20 president, France, in 2011 the attention shifted towards infrastructure and food security in Africa. Critically, the European Commission, which is a member of the G20, adopted a very low profile, meaning that France's leadership was not embedded in a broader common European approach.

Along these broad lines, the annual DWG report, made publicly available in Cannes, explains in detail the progress made in the work streams.

Among this year's priorities, the infrastructure pillar is heavily geared towards regional approaches and public-private partnerships in Sub-Saharan Africa, looking for opportunities for a 'big push' of large-scale investments. A High-

Level Panel on Infrastructure Investment, launched by the G20 in February 2011, has developed a series of proposals to encourage public-private partnerships. The focus of the food security pillar is on generating and innovating tools for managing risks from external shocks such as agricultural price volatility. Here, ongoing work of multilateral development banks on counter-cyclical mechanisms, insurance schemes and capacity development is fully supported.

In other pillars, progress is particularly tangible in social protection, where developing countries such as Brazil (through its 'Bolsa Familia' programme) and Mexico (through 'Oportunidades') have pioneered conditional cash transfer systems that are now being exported to countries around the world. Together with the knowledge

sharing pillar, largely informed by ongoing work on South-South and triangular cooperation, social protection is high on the emerging policy agenda of the forthcoming G20 presidency of the Mexican government.

In the lead-up to the Cannes Summit, finance for development and climate change became more prominent through high-profile reports

submitted by Bill Gates and a consortium of International Financial Institutions (IFIs) and the OECD. Both documents provide substantial contributions to the global debate. However, they are not embedded in ongoing work streams at the G20 level, making it unlikely that this work will be sustained by the DWG. In this area, France and Germany, with support from the European Commission, have also promoted an international financial transaction tax which could finance both climate and development policies. Given

that both development and climate finance are part of sensitive negotiations at the UN, it is rather improbable that these initiatives will be continued at the DWG.

THE PRICE OF SPONTANEITY

While the DWG may have an ambitious thematic agenda, its *ad-hoc* and spontaneous style of working limits the scope and quality of its activities. Its thematic pillars are facilitated by up to four co-chairs from both developed and developing members, who are responsible for implementing a specific share of the MYAP. In practice, overburdened government officials from the Foreign Affairs branches, mostly disconnected from their respective development agencies, are in charge of facilitating and implementing the activities. Beyond this basic division of labour, the DWG lacks an institutional base, due to the disagreement over how, and whether, to institutionalise the G20 as a whole. The emerging economies refuse to house a possible Secretariat at the OECD, which was facilitating the G8, and traditional donors are reluctant to create yet another administrative body.

In the first year of the G20 development agenda, this weak institutional set up has limited the DWG's effectiveness in four specific ways. Firstly, the DWG has lacked the capacity to build a 'global development partnership' with LICs 'as equal partners', as was envisioned by the Seoul Consensus. The exceptions to this are Ethiopia, a DWG member due to the active involvement of its prime minister, and Colombia, which has taken part in the knowledge sharing pillar. The absence of LICs and smaller middle-income countries in the DWG work streams generates tensions regarding basic partnership principles, such as the leadership of developing countries in promoting their own development, or the centrality of relevant and tangible development results.

Secondly, as no actual resources are available for commissioning analytical work, the G20 development agenda is heavily dependent on

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»»»»» the analysis generated by global multilateral institutions. As such, the first follow-up report of the MYAP states thematic contributions from 29 multilateral institutions, but not a single country example. However, global agencies from the United Nations and the IFIs are increasingly unsatisfied with providing time-consuming and often politically sensitive inputs for the G20. An additional challenge is that in practice the G20 re-directs financial and human resources from global development institutions, who are mandated to work for the benefit of the entire community of nations, towards its own priorities.

Thirdly, different aspects of the MYPA have been implemented in an unsynchronised way and with different degrees of quality. This reflects the limited coordination and backstopping capacity at the DWG, which is largely dependent on the thematic priorities of the presidency at that time. In addition, there is virtually no accountability on what aspects of the MYPA are implemented, in what way, or with what results, with limited communication on these issues beyond the small group of pillar members.

Finally, the DWG has not been able to establish networks with actors beyond national governments. The expertise of non-governmental actors is not reflected in the development pillars. Civil society and academia are completely excluded from G20 development policy debates, while even the B20 – a group of 2,000 companies and 200 business associations that meet back-to-back with the political leaders – expresses concern with this closed-door culture. As a political choice, this insularity is primarily a result of limited capacity to engage with a broader range of actors.

LOST ON THE GLOBAL DEVELOPMENT CHESSBOARD

In a fast changing international context, the global governance of development is being reshaped at every level. The need to adapt objectives, ensure

resources and develop adequate practices are central concerns within all global platforms, as new providers from the developing world bring in their perspectives and contributions. However, so far the synchronisation of the G20 development agenda with this global chessboard remains extremely fragile and opportunistic.

Only a month after the Cannes Summit, 2,700 official representatives came together for the HLF discussions on aid effectiveness in Busan, South Korea. Simultaneously, the 17th Conference of Parties to the UN Framework Convention on Climate Change (UNFCCC) also gathered hundreds of national delegates in Durban, South Africa, to discuss the future of climate policies and in particular climate finance, with an eye on the Summit on Sustainable Development in Rio de Janeiro in June next year.

At this stage, the Busan and Durban policy threads are becoming connected through member states' initiatives to manage both voluntary aid and binding climate finance under common principles and within developing countries' own financial systems. While Official Development Assistance is likely to decrease due to shrinking aid budgets, the UNFCCC expects resources for financing climate change mitigation (such as clean energy) and adaptation (such as disaster risk management) will total \$100 billion per year by 2020. Both the development and environment communities are currently leaving their silos in order to move towards a common approach, focusing particularly on strengthening public finance and governance capacities, including transparency, result orientation and accountability.

Despite its high-profile activities, including the financing report Microsoft mogul Bill Gates drafted at the request of French President Nicolas Sarkozy, the G20 agenda has remained immune to this new attempt for collaboration and synergies. It is true that the aid effectiveness agenda is crumbling due to poor progress in aid quality and meagre successes in reaching out to the BRICS. For their part, the UNFCCC

negotiations can be tense, including a bitter fight around the new Green Climate Fund which is intended to be the quintessence of climate change financing. Finally, advances in achieving the MDGs are sketchy, and many actors are arguing for a development paradigm that includes a more complex understanding of poverty, for example in terms of climate change vulnerability or social inequalities. However, despite their limitations these various processes reflect very vividly the current transformation of development approaches, with which the G20 has not yet engaged.

To be fair, the DWG's resistance to these dynamics stems from a deliberate decision of its members. There is a fear of opening up other contested areas, and due to incoherent national foreign policy agendas, departments of individual governments tend to maintain their sector-specific views in different fora. However, the G20's isolation within the global development chessboard and from the current development debates carries great risks. It contributes to continued fragmentation and to a vacuum in development decision-making.

PREPARING FOR LOS CABOS

As things stand, the G20 is still setting its development agenda in isolation, largely disconnected from LICs and other global processes. Its main arm, the DWG, reflects the increasingly scattered global governance, rather than convening all actors around game changing initiatives. In 2012, this lack of consistent leadership may lead to further dispersion. Emerging powers, such as the BRICS, will become even more relevant for the developing world, and are also likely to play a new role as 'last-resort' supporters of crisis-stricken industrialised countries. Without a smart and coherent G20 agenda the mistrust of BRICS and others towards established global institutions (such as the IFIs or the OECD) could result in a breakdown of shared development cooperation goals, resources and practices.

In this challenging global context, time is already running out. There are just seven months left to prepare the G20 development agenda for the next G20 Summit, to be held in Los Cabos, Baja California Sur, in June 2012. The prospects for consistent work are lukewarm at best, as the next meeting will take place only two weeks ahead of the predictably intense federal elections in Mexico. While the Mexican government has already signalled a series of priority areas for its G20 presidency (among them green growth and financial inclusion), it is not yet clear how the ongoing G20 pillars will continue to work or how new streams can be added to the MYAP in a complementary way.

In light of these challenging conditions, the G20 might consider taking some concrete steps to prepare for Los Cabos:

Telling a coherent story: In the latest documents, the DWG appears to be repackaging its thematic agenda around the need for solid foundations for a strong and balanced growth, on the one hand, and for resilience, on the other. Importantly, this two-fold approach might be further synchronised with the evolving debate around the Rio+20 Summit, at least in areas related to the resilience of less developed and more vulnerable countries. Overall, however, the G20 is still in urgent need of a consistent narrative around its specific added-value in driving economic development and how it complements the efforts of other global and regional platforms.

Branding the new partners' agenda: The unique advantage of the G20 in gathering both the traditional and the new development players needs to be used more strategically during Mexico's presidency. Beyond the current tendency of imprinting existing multilateral initiatives with the G20 seal, the DWG is well positioned to shape more equal and balanced partnerships. For example, knowledge exchange in areas where developing countries are accumulating innovations (such as green growth) might help build new types of development alliances.

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»»»»» **Ensuring operational capacity:** As there is very limited appetite for institutionalising the G20 development agenda, creative solutions must be found to develop a minimum capacity for implementing, monitoring and – very importantly – accounting for the DWG work plan. A multi-presidency work plan, with frontloaded troikas (current presidency plus its two successors), might be a useful means to share responsibilities, learn lessons and implement the MYAP in a smooth way.

Communicating and sharing information: The degree of secrecy around the G20 development agenda continues to be a major obstacle for the DWG in engaging with other multilateral processes such as the Busan HLF, the Durban COP and the Rio+20 process. This ‘isolation by default’ could be overcome with a dedicated website. This could potentially enable governments and non-governmental actors from low-income countries to at least follow up on the G20’s development activities, while also identifying opportunities to enrich this evolving agenda.

Beyond Los Cabos, G20 leaders will need to find creative ways of designing a development agenda that not only speaks to ongoing debates, but is also meaningful to the developing world as a whole and appealing to global multilateral institutions. The capacity to listen and liaise with a range of actors is critical. This requires not just overcoming current institutional weaknesses, but also political leadership capable of promoting concrete collective action for sustainable human development, poverty reduction and resilience in the face of ever more complex vulnerabilities.

Nils-Sjard Schulz is an associate fellow at FRIDE.

**e-mail: fride@fride.org
www.fride.org**
