

The G20 and Development: A New Era (updated)

Please address general
comments and questions to:

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InterAction's G8/G20 Task Force welcomes the establishment of a G20 Development Working Group with its mandate to produce a development agenda and multi-year action plans for adoption at the Seoul G20 Summit. We concur with the G20 Development Working Group that "*action plans will facilitate the ongoing monitoring and assessment of progress towards development goals and to ensure that the G20's development initiatives remain accountable, effective and on-track.*"¹ We urge the United States to take a strong leadership role at the Seoul Summit by building on the principles described in the September 2010 U.S. MDG paper, *CELEBRATE, INNOVATE AND SUSTAIN: Toward 2015 and Beyond*.

Recommendation Summary

Accountability

1. Establish a permanent G20 Accountability Framework that is robust, credible, transparent and inclusive.
2. Require all G20 Working Groups to seek input from international organizations, governments and civil society on a regular basis and develop systems for on-going transparent consultations.
3. Publicize the terms of reference, names and affiliation of all members of Expert Groups six months prior to the Summit.
4. Ensure that reporting evaluates results against consistent and specific indicators tied to timetables and recommendations.

Education

1. Call for additional indicators of education quality and student learning to supplement MDG 2 indicators.
2. Leverage current assessments and quality initiatives in the adoption of indicators of education quality and student learning.
3. Promote flexibility in IMF macroeconomic indicators in loans to low income countries (LICs²), which would to allow resources to be used for improving their basic educational system.

Financial Inclusion

1. Support innovative institutional and technological approaches to deliver financial services for the poor.
2. Increase access to a wider set of financial services which would aid in building resilience to economic and natural shocks, especially among vulnerable women and children.

Food Security

1. Fully fund the 2009 L'Aquila Initiative and deliver one-third of the three-year, \$22 billion commitment by the end of 2010.
2. Ensure that resources flowing to global food security initiatives are most effectively deployed.
3. Adopt financial regulations to limit commodity speculation and minimize the use of export bans.
4. Integrate resilience to climate change into food security plans.

Global Economic Crisis

1. Fulfill their \$50 billion pledge to Low Income Countries to help mitigate the impact of the global economic crisis with transparent and accountable mechanisms.
2. Reform International Financial Institutions (IFIs) governance structures, avoid increasing LIC debt and eliminate pro-cyclical policies during economic downturns.
3. Ensure financial institutions and markets are reformed, held publicly accountable and regulated effectively.

Governance and Transparency

1. Establish transparent and accountable public procurement and finance management systems by 2011.
2. Adopt anti-bribery measures in export credit agencies by 2011.
3. Ensure information about aid flows is comprehensive and transparent.

Trade

1. Expand full duty-free and quota-free (DFQF) market access to all exports from low income countries.
2. Eliminate rules of origins that restrict input sourcing to increase market access for LICs.
3. Address impediments to market access for developing countries that arise outside of the trade preference programs.
4. Ensure trade agreements strengthen agriculture and food security and support decent work for the poor.

Accountability

Accountability is central to growth and poverty reduction. The G20 Development Working Group recommendations for a multiyear action plan require an Accountability Framework to ensure that G20 leaders' commitments are kept. We urge the G20 to include the following recommendations in its leaders' statement:

1. **Establishing a permanent G20 Accountability**

Framework that is robust, credible, transparent and inclusive is essential to ensure the effectiveness of the G20 Development Working Group. The G20 and G8 need to also harmonize their accountability frameworks.

2. **Require all G20 Working Groups to seek input from international organizations, governments and civil society on a regular basis and develop systems for on-going transparent consultations.** The G20 should make the new dialogue permanent and encourage its members to conduct in-country civil society consultations.
3. **Publicize the terms of reference, names and affiliation of all members of Expert and Working Groups six months prior to the Summit.** Meeting notices should be released 20 days before scheduled meetings and include a list of the G20 commitments and outcomes under review. The G20 should report on the expert groups' assessments and recommendations 60 days before each Summit.
4. **Ensure that reporting evaluates results against consistent and specific indicators with timetables and recommendations** for future action including resources pledged and delivered. Whenever possible on-the ground monitoring of program implementation and outcomes should inform reporting.

Education

Advances will not continue in LICs without a renewed global commitment to improve the quality of education and ensure children are learning. The evidence suggests that the positive impact of improved education quality on economic growth significantly outweighs the costs of additional years of schooling. Global education leaders, particularly Education for All (EFA), the Fast Track Initiative and leading bilateral donors like USAID and DFID have made positive strides in measuring learning achievement. We urge the United States to support the following steps:

1. **Call for additional indicators of education quality and student learning to supplement MDG 2 indicators,** with the assistance of UNESCO or another appropriate multilateral entity. Key education stakeholders, including multilateral entities, donors, partner governments, labor groups, civil society, NGOs and local education organizations must be given the opportunity to participate in setting these indicators.³
2. **Leverage current assessments and quality initiatives in the adoption of indicators of education quality and student learning.** Draw on ongoing learning assessments and quality initiatives⁴ and con-

sider the work of entities such as the EFA Fast-Track Initiative, World Bank, UNESCO, USAID, and DFID.

3. Promote flexibility in IMF macroeconomic indicators in loans to low income countries.

Quality education requires a highly competent, well-trained teaching force. Yet current IMF conditionality requirements for single-digit inflation, low deficit spending and high foreign reserves can make it impossible for LICs to hire, train and retain professional teaching forces.

Financial Inclusion

We applaud the G20 leaders' work on increasing access to financial services as a pro-growth and pro-poor strategy to reduce income inequality and poverty. Improving the range of financial products and the reach and affordability of financial service delivery channels improves the capacity of the poor and vulnerable to stabilize, grow, and protect their income and assets. Substantive progress towards more inclusive financial systems will augment G20 leaders' plans to promote growth with resilience and food security. This will enable innovative financial service solutions that boost on- and off-farm productivity and improve resilience against adverse economic and natural shocks.

We support the Financial Inclusion Experts Group's principles and guidance towards improved policy and regulatory responses to accelerate closing the gap for the more than 2 billion people excluded from formal and semi-formal financial services. The G8/G20 Task Force urges the Financial Inclusion Experts Group to include in the forthcoming action plan a priority focus on:

1. **Support innovative institutional and technological approaches to deliver financial services for the poor** as a means to reach the excluded and reduce transaction costs. This includes addressing infrastructure weaknesses of transport, communications, power, and digital connectedness.
2. **Increase access to a wider set of financial services which would aid in building resilience to economic and natural shocks, especially among vulnerable women and children,** including affordable savings, insurance, credit, and remittance products.

Food Security

G20 leaders endorsed the 2009 L'Aquila Global Food Security Initiative yet the initiative still lacks a clear action plan, transparent commitments or an accountability framework. Meanwhile, as the international community assesses

progress on the Millennium Development Goals, the number of people suffering from hunger has risen to over a billion. We urge the United States to consider the following:

1. **Fully fund the 2009 L'Aquila Initiative and deliver one-third of the three-year, \$22 billion commitment, by the end of 2010.** Ensure that non-agricultural resources are also directed to other aspects of food security,⁵ realizing that an agricultural response alone will not sufficiently address world hunger.
2. **Ensure that resources flowing to global food security initiatives are most effectively deployed.**⁶
 - A reformed Committee on World Food Security should create and fund a Global Action Plan on Food Security that reflects a comprehensive approach and sustained funding beyond the three-year commitment. This should include engagement and participation of civil society, with women and small-scale producer groups, as full partners.
 - Include alongside technological innovations affordable, proven, low-input technologies jointly identified by the farmers who will use them.⁷
3. **Adopt financial regulations to limit commodity speculation and minimize the use of export bans** due to the role of such bans and speculation in the 2007-2008 food price crises. We call on all countries to build food reserves at country and regional levels to withstand shocks and reduce volatility.
4. **Integrate resilience to climate change into food security plans** through impact analysis and vulnerability assessments to identify and target the most vulnerable populations and help them develop increased adaptive capacity.

Global Economic Crisis

The world's poorest countries still bear the brunt of the effects of the global economic crisis, which they did not create. Despite G20 pledges and the partial recovery of world stock markets, the working poor in 79 Low Income Countries face deep unemployment, deprivation and the lack of decent work, a continuing food and fuel crisis, and deteriorating climate conditions. We urge the following to be adopted by the G20:

1. **Fulfill their \$50 billion pledge to Low Income Countries (LICs) to help mitigate the impact of the global economic crisis with transparent and accountable mechanisms.**
 - Institute by January 2011, online quarterly reports on the assistance actually delivered

and how the funds were spent, including the proportion of loans versus grants and any conditions imposed on the use of the funds.

- Establish anti-corruption measures to ensure the funds reach the intended recipients.
2. **Reform International Financial Institutions (IFIs) governance structure, avoid increasing LIC debt and eliminate pro-cyclical policies during economic downturns.**
 - Reform IFI governance to reflect the changing global economy and increase the representation of emerging economies and developing countries.
 - Provide resources as grants or debt relief to avoid accumulation of unsustainable debt and a new debt crisis.
 3. **Ensure financial institutions and markets are reformed, held publicly accountable and regulated effectively.** Reforms should address abusive and risky activities of hedge funds, vulture funds, odious debt, off-balance sheet transactions and credit rating firms.
 - The G20 should call on the Financial Action Task Force (FATF)⁹ to amend its *FATF 40 Recommendations* number 33“... prevent unlawful use of legal persons by money launderers.”¹⁰ and 34“...prevent the unlawful use of legal arrangement by money launderers.”¹¹ and its *FATF IX Special Recommendations* number VIII, “Countries should review the adequacy of laws and regulations that relate to entities that can be abused for the financing of terrorism. Non-profit organizations are particularly vulnerable,...”¹². The amendments need to ensure that the beneficial ownership of all companies, trusts, foundations and charities be made a matter of public record.
 - The G20 should call on the International Accounting Standards Board to adopt a standard that all multinational corporations report their income and taxes paid on a country-by-country basis.
 - The G20 communiqué should recognize the links among illicit outflows of capital from developing countries, absorption of those resources by tax havens and financial institutions in international financial centers, and the adverse impact those flows have on poverty alleviation and economic development.

Governance and Transparency

InterAction's G8 and G20 Task Force agrees with South Korea that the most important determinant of successful development is “[g]ood governance, transparency, and accountability.”¹³ Sustained economic development requires an environment that is conducive for businesses, investors, employers and markets to expand their growth generating activities. Transparency and accountability measures improve a country's operating environment by encouraging fair competition and contribute to eliminating corruption. The United States should take a strong leadership role at the Seoul Summit. We recommend the following points be included in the G20 leaders' statement:

1. **Establish transparent and accountable public procurement and public finance management systems by 2011.** G20 countries should adopt and urge all countries to put into practice the standards for procurement and public financial management described in Article 9 of the UN Convention Against Corruption (UNCAC).
2. **Adopt anti-bribery measures in export credit agencies (ECAs) by 2011.** To ensure these financial flows are used to restore growth, the G20 ECAs must ensure that investments are free from bribery, fraud and collusion. Therefore, the G20 countries should commit to clear timetables to implement the 2006 OECD Council Recommendation on Bribery and Export Credit Supported Transactions.
3. **Ensure information about aid flows is comprehensive and transparent.** G20 leaders should keep their 2009 commitment to increase the transparency of international aid by publishing comprehensive, timely and comparable information on all resources being invested in a country, sector or region.

Trade

CELEBRATE, INNOVATE and SUSTAIN highlights trade policy and promotion as a crucial component to ensure sustained economic growth that can fuel overall development. However, developed countries' trade policies and practices vis-à-vis developing countries remain unbalanced for a myriad of political and economic reasons. We urge the G20 to:

1. **Expand full duty-free and quota-free (DFQF) market access to all exports from the low income countries.** The United States, with the exception of the African Growth and Opportunity Act (AGOA), only extends unfettered market access to approximately 83 percent of products from LICs.¹⁴ Developed countries' preference programs often block access for the very products in which

many LICs have a comparative advantage and in which they specialize, such as agricultural, textile and apparel goods.

2. **Eliminate rules of origin that restrict input sourcing to increase market access for LICs.** Developed countries should allow products from LICs to “cumulate”—i.e. count inputs imported from eligible countries as local content as long as significant processing occurs in the particular LIC.¹⁵
3. **Address impediments to market access for developing countries that arise outside of the trade preference programs.** Developed countries should streamline their import regulations and widely disseminate relevant information to public and private stakeholders in developing countries.
4. **Ensure trade agreements strengthen agriculture and food security and support decent work for the poor.** Trade agreements should promote local participation in global markets by providing technical assistance and capacity building in order to maximize trade impact on economic growth.

Many organizations contributed to one or more recommendations in this policy statement. The statement is not designed to be a consensus position of the contributors. It has been endorsed by InterAction’s leadership.

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End notes

- 1 *Scoping Paper for the G20 High-Level Development Working Group, Co-Chairs, draft July 13, 2010, page 2.*
- 2 There are 79 low-income countries in the International Development Association, the World Bank’s concessionary loan and grant window, with annual per capita income below \$1,135. In this paper the term LIC is used in lieu of LDC, less developed countries.
- 3 Student learning measures should include an indicator of student reading skills.
- 4 Examples include the Programme for International Student Assessment (PISA), Trends in International Mathematics and Science Study (TIMSS), Early Grade Reading Assessment (EGRA), Southern and Eastern Africa Consortium for Monitoring Educational Quality (SACMEQ), Latin American Laboratory for Assessment of the Quality of Education (LLECE), and the Pratham Annual Status of Education Report.
- 5 A comprehensive approach should include improved emergency response; maternal and young child nutrition reaching the 36 countries with 90 percent of stunted children; safety nets and social protection; disaster risk reduction; safe water, sanitation and hygiene; parent/care-giver training in interactive feeding practices; and sustainable agricultural and livelihoods development that reach women and small-scale producers, the landless and their families.
- 6 The G20 should report annually on country allocations, types of interventions, results indicators, including child stunting and wasting, and donor disbursements against pledges. Support the Global Agriculture and Food Security Program through increased funding, technical assistance provision, and mobilization of additional donors.
- 7 This should include an emphasis on sustainable resource management, small-scale producer risk reduction, linkages to nutrition and health interventions, and access for women and marginalized populations.
- 8 Pro-cyclical policies of government increase the business economic cycle by discouraging spending during downturns—for example, by tightening credit—and encouraging spending during upturns.
- 9 The FATF is an inter-governmental body that sets standards and promotes policies to combat money laundering and terrorist financing.
- 10 *FATF 40 Recommendations, page 11.*
- 11 *FATF 40 Recommendations, page 12.*
- 12 *FATF IX Special Recommendations, page 3.*
- 13 *Development Issue Paper, Presidential Committee for the G20 Summit, Korea, June 17-2010, section entitled “Governance.”*
- 14 *Open Markets for the Poorest Countries, Kimberly Ann Elliott, Center for Global Development, 2010, page 7.*
- 15 *Ibid. page 9.*

