The G20 and Global Development Agenda

OVERVIEW

Strengthening development is central to the G20’s objective of achieving strong, sustainable and balanced growth and ensuring a more robust and resilient economy for all.

Emerging and developing economies currently contribute around three quarters of global growth, but face a number of constraints to economic growth and resilience including severe shortfalls in infrastructure, a lack of modern and efficient tax systems, and lack of access to financial services by many of their citizens. Generating additional growth in these countries by addressing those issues could both have an important impact on their development and be valuable in promoting global growth.

It is important that the G20’s actions benefit people in all countries. At the 2010 Seoul summit, leaders agreed that ‘narrowing the development gap and reducing poverty are integral to our broader objective of achieving strong, sustainable and balanced growth and ensuring a more robust and resilient economy for all’. While accounting for around 85 per cent of the world’s economy, the G20 also includes more than half of the world’s poor.

In December 2013, sherpas agreed that:

- work on development should be linked to the G20’s broader growth agenda and focused on a limited number of issues that can deliver practical, high-impact outcomes such as infrastructure, domestic resource mobilisation, including tax, financial inclusion and remittances
- work should continue on food security and human resource development
- the Development Working Group should coordinate with other working groups to ensure coherence.

Focusing on these priority issues will ensure the development agenda supports global growth.

PRIORITY ACTIONS

In 2014, the development agenda will be an extension of the G20’s broader growth agenda. Members will:

- help to increase financing for infrastructure investment in developing countries, and encourage the right conditions to attract private sector investment in developing economies
- assist developing countries combat tax avoidance by multinational enterprises and automatically share tax information
- assist developing economies in expanding the use of formal financial services and take action to reduce the cost of transferring remittances into developing economies services
- consider how the G20 can best support the UN-led process to define a post-2015 development agenda.

G20 members will also support the development agenda through:

- further work in food security – a priority area outlined in the St Petersburg Development Outlook – commencing with the Review of Economic Growth and Job Creation in Relation to Food Security and Nutrition
- continuing to implement leaders’ commitments on human resource development.

The Development Working Group will maximise opportunities to consult with developing countries and other relevant stakeholders in order to support developing economies.
Development Working Group: Domestic Resource Mobilisation

OVERVIEW

Developing countries’ tax revenues are fundamental to building and maintaining sustainable sources of financing for development to support resilient economic growth. They enable a government to plan recurrent expenditure (including basic service delivery), finance infrastructure and encourage job growth. Despite increasing levels of domestic revenues in developing countries, many still face challenges participating in and benefitting from the international tax agenda.

ST PETERSBURG DEVELOPMENT OUTLOOK

In September 2013, G20 leaders recognised the importance of Domestic Resource Mobilisation (DRM) to developing countries, and of ensuring they are able to reap the benefits of the G20’s focus on international taxation. Leaders endorsed the St Petersburg Development Outlook, which identified the following new and ongoing actions for DRM.

New action 1: Identify obstacles to information exchange and strengthen capacity

“We will work with the Global Forum on Transparency and Exchange of Information for Tax Purposes to identify and address the obstacles to automatic exchange of information (AEOI) for developing countries, and reinforce our support to developing country revenue authorities both through bilateral programmes and multilateral programmes such as Tax Inspectors Without Borders.”

New action 2: Address BEPS in LICs

“We will review relevant work on BEPS during 2014 in order to identify issues relevant to LICs and consider actions to address them.”

Ongoing actions from the Development Outlook

“We encourage more developing countries to join the Global Forum. We request the Global Forum to remain engaged with developing countries to prepare for their peer reviews and provide them with tailored technical assistance (commitment 64 in MYAP).”

“We will continue to promote the Convention on Mutual Administrative Assistance in Tax Matters among developing countries. The Convention provides for all possible forms of administrative cooperation between states in the assessment and collection of taxes, in particular with a view to combating tax avoidance and evasion (commitment in Los Cabos Leaders’ Declaration).”

OUTCOMES FOR 2014

The complex challenges and opportunities in DRM require a long-term perspective that spans beyond any single G20 presidency. Australia proposes two main DRM outcomes for the 2014 Brisbane Summit to lay the foundations for a multi-year agenda, based on the Development Outlook:

- a roadmap for developing countries on steps they could take for participation in automatic exchange of information (AEOI); and
- a report on the impact of base erosion and profit shifting (BEPS) in low income countries (LICs) and proposed actions to address those impacts.

The roadmap and report will each be developed through a consultative process that draws on the high level of expertise in taxation among several international and regional organisations. The DWG recognises the important role of regional tax administrations in bringing developing countries’ perspectives into international tax dialogues and in implementing this work.
Development Working Group: Investing in Infrastructure

OVERVIEW

Infrastructure is one of the foundations of economic growth and job creation. It is well recognized that there is a global shortfall of infrastructure, which severely affects developing countries. The lack of appropriate and sustainable infrastructure impedes a country’s economic competitiveness and productivity, suppresses growth and job creation and perpetuates poverty. The G20 has a role in creating environments that better match investors with productive investments, including in low income countries (LICs). Taking measures to increase investment in infrastructure in developing countries and LICs will stimulate growth and assist in reducing poverty.

ST PETERSBURG DEVELOPMENT OUTLOOK

The Report of the High-Level Panel on Infrastructure (October 2011) identified project preparation capacity as a major impediment to greater infrastructure investment in LICs. This was followed by a review of Project Preparation Facilities (PPFs) in Africa (November 2012). The St Petersburg Development Outlook (the Outlook) identifies improving PPFs as a key priority for the Development Working Group (DWG), and notes the alignment between this action and work in the finance track on financing for investment.

Specifically, the Outlook identifies the following two new actions for Infrastructure.

New action 1: Address long-term financing for infrastructure
“We will examine potential implications for LICs from work of the IIWG and strengthen coordination with the IIWG”.

New action 2: Expand assessments of project preparation funds (PPFs)
“We will assess the effectiveness of PPFs in Asia in promoting long term investment financing for infrastructure, increase understanding of the obstacles to implementation, disseminate knowledge through a common platform, and consider the creation of a global network of PPFs”.

OUTCOMES FOR 2014

The challenges and opportunities related to infrastructure are reflected in the large body of work on infrastructure investment that has already been commissioned and completed through the G20 to date.

The DWG will focus its efforts on three outcomes in 2014:

- increasing understanding of impediments to increased infrastructure investment in LICs through assessing the effectiveness of PPFs in Asia;
- improving policy coherence on investment in infrastructure through examining potential implications for LICs of the work of the Investment Infrastructure Working Group (IIWG) and strengthening coordination between the IIWG and the DWG; and
- better exploiting the G20’s value-add by developing criteria to inform the selection of future actions, including the future work plan.

The DWG infrastructure work in 2014 will lay the foundations for a credible, streamlined, multi-year agenda. This aims to eventually support actions and commitments to facilitate increased investment for infrastructure in LICs.
Development Working Group: Financial Inclusion and Remittances

OVERVIEW

Half of all working-age adults globally are excluded from formal financial services. The barriers to access are particularly acute for some groups, such as women and the poor. In the developing world, approximately 70 per cent of all formal and informal micro, small and medium enterprises are in need of external finance but cannot access it. At an estimated US$389 billion in 2012, remittance flows far exceed official development assistance, and offer an increasingly important, but all too frequently untapped, mechanism to introduce the poor into the formal financial sector.

ST PETERSBURG DEVELOPMENT OUTLOOK

In September 2013, leaders endorsed the St Petersburg Development Outlook, which identified the following new and ongoing actions for Financial Inclusion and Remittances.

New action 1: Facilitate provision and uptake of financial services
“In coordination with the Global Partnership for Financial Inclusion, we will explore in 2014 options to strengthen financial inclusion work in developing countries and targeted actions to:

► harness emerging mechanisms such as electronic payments and mobile technology that can significantly improve access; and

► increase uptake by increasing incentives, financial literacy, education and consumer protection for the poor, in particular vulnerable groups such as women, youth and migrants.”

New action 2: Accelerate innovative approaches to reduce remittance costs
“We will consider in 2014 innovative results-based mechanisms to further reduce the cost of transferring remittances to developing countries.”

Ongoing actions from the Development Outlook
“We will continue to implement:

► the G20 Financial Inclusion Action Plan (commitment 36), incorporating commitment 37; and

► the Small and Medium Enterprises Finance Compact launched in 2012 and the G20 Peer Learning Program (commitment 40 and 41 respectively).”

“In line with the target G20 leaders set in 2011 (commitment 58), we will continue working to reduce the global average cost of transferring remittances. In particular, many G20 members made specific commitments in 2013 to take additional actions to reduce costs.”

OUTCOMES FOR 2014

Building on the commitments in the Development Outlook, the DWG will focus on delivering two main outcomes on financial inclusion and remittances in 2014:

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1 Consultative Group to Assist the Poor (CGAP), CGAP Strategic Directions, 2014-2018, 17 May 2013, p. 2.
3 World Bank, Migration and Development Brief, 2 October 2013, table 1, p. 3.
determining G20 actions to expand the use of financial services in developing countries by harnessing emerging technologies and increasing private sector engagement, thereby contributing to growth, economic resilience and poverty reduction; and

helping to maximise the potential of remittances to increase financial inclusion, and to support growth and poverty reduction by identifying future G20 actions beyond the current focus on transfer costs.
Development Working Group: Food Security

OVERVIEW

G20 leaders have consistently emphasised the importance of food security for long-term economic stability and growth, as well as political and social stability. Global agriculture output will need to grow by between 50 to 70 per cent to feed an increasingly urbanised and middle class population, which is expected to exceed nine billion by 2050.1 At the same time, there are approximately three billion people globally who depend on agriculture for their livelihood and around 842 million people suffering chronic hunger, half of whom live in G20 countries.2 Addressing these challenges will require coordinated, global action on a range of policy fronts including trade, agriculture, investment, infrastructure, employment and development.

ST PETERSBURG DEVELOPMENT OUTLOOK

Since the 2007-2008 food crises, the G20 has invested substantial effort in managing excessive price volatility and improving agricultural productivity through initiatives such as the Agricultural Market Information System, AgResults and the Platform for Agricultural Risk Management. It now has an opportunity to strategically support longer term food security by adopting a coordinated, multi-year approach. In September 2013, leaders endorsed the St Petersburg Development Outlook, which identified the following new and ongoing actions for Food Security.

New action 1: Promote food security, nutrition, economic growth and jobs

“Review by March 2014 critical opportunities for economic growth and job creation in connection with food security and nutrition focusing on lower income countries, building on all relevant G20 work to date and incorporating inputs from the Social Protection Interagency Cooperation Board”.

Ongoing actions from the Development Outlook

We will enhance dissemination of best practices on food security and nutrition, building on existing initiatives such as network centres of excellence and knowledge sharing platforms on food security and nutrition (such as the Secure Nutrition Knowledge Platform), as well as the preparatory process for the 2014 International Conference on Nutrition and continue to monitor and implement on-going actions: 24 on food reserves and access to humanitarian food supplies; 26 regarding the Principles for Responsible Agricultural Investments; 28 on agricultural risk management; and 29 on scaling-up nutrition.

In addition we remain committed to fully implementing the Agricultural Market Information System and we will continue to share knowledge through the Meetings of Agricultural Chief Scientists, in particular on agricultural research and technology.

OUTCOMES FOR 2014

Through a Review of opportunities for economic growth and job creation in connection to food security and nutrition, the G20 Development Working Group will focus its efforts on three outcomes in 2014:

- supporting developing countries to achieve longer term food security by enhancing understanding of links between economic growth and food security;
- contributing to G20-wide efforts to build a strong analytical basis for future actions on food security that are focused in areas of G20 comparative advantage; and
- determining how best to transition from a focus on crises to coordinated, longer-term reforms and actions undertaken by the G20 to improve global food security.

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1 Food and Agriculture Organization (FAO), World agriculture towards 2030/2050: The 2012 revision, FAO, Rome, 2011, page 3 cites 60 per cent, but there are differing views so an estimate of 50 per cent to 70 per cent is included.

Development Working Group: Human Resource Development

OVERVIEW

Lack of adequate skills for employment is a major bottleneck for economic growth in many developing countries. Existing educational and technical vocational education and training (TVET) systems often do not provide students with the basic skills and qualifications required in the labour market, which can leave even the highly qualified unemployed or under-utilized. At the same time, employers face difficulties in finding adequately skilled and experienced labour. Changing demographic profiles, including the large portion of the global working population that will be youth in developing countries, makes Human Resource Development (HRD) fundamental to achieving growth in developing countries.

ST PETERSBURG DEVELOPMENT OUTLOOK

In September 2013, leaders endorsed the St Petersburg Development Outlook, which identified the following four outcomes for HRD:

New action 1: Enhancing national capacities on skills to meet labour market needs
“We will work with relevant IOs to assist interested developing countries in assessing skills development needs and in building national capacity on quality training for all stakeholders as a part of the implementation of the G20 Training Strategy.”

New action 2: Developing regional and international cooperation for training
“We will explore ways to develop South-South and Triangular cooperation programs involving G20 members, aimed at providing training and knowledge-sharing to developing country nationals.”

Ongoing actions from the Development Outlook
“We will follow up carefully the Seoul Multi Year Action Plan (MYAP) commitments, including developing, disseminating and promoting the use of the internationally comparable skills indicators database [commitment 30]; implementing, assessing and possibly rolling out the pilot countries’ action plans on skills for employment and productivity [commitment 31] and promoting the use and ensure the maintenance of the Global Knowledge-Sharing Platform (KSP) [commitment 32].”

OUTCOMES FOR 2014

Strengthening HRD in developing countries is fundamental to achieving the G20’s core mandate of economic growth. The G20 Development Working Group will focus its efforts on the following outcomes on HRD in 2014:

- providing ongoing support for pilot and selected additional low-income countries (LICs) to adapt the G20 Training Strategy to their needs with the focus on skills anticipation and training systems for Technical and Vocational Training and Education (TVET) managers;
- contributing to development of and adapting new tools and approaches for skills anticipation and training programs for TVET managers;
- encouraging South-South and Triangular co-operation for knowledge-sharing on skills development between developing countries, G20 members, the private sector and IOs; and
- creating and promoting strategies for the maintenance of an international database on skills indicators applicable for LICs.