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After the Toronto Summit: The G20's development policy agenda

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Bonn, 29 June 2010. It is a G8 tradition that as well as dealing with global economic issues summit meetings also dabble in a little development policy. Over the past few years African heads of state were regularly invited to breakfast one morning; at the instigation of the then British Prime Minister Tony Blair, the focus in Gleneagles in 2005 was aid for developing countries, and in launching the Heiligendamm Process at the 2007 G8 Summit Chancellor Angela Merkel focused attention not only on the emerging economies but also on Africa.

The G20 group of nations includes the big emerging economies, which are still developing countries even though none of them is classed as a least developed country (LDC). The key topics such as global economic policy coordination, financial market regulation, and the reform of the IMF and the World Bank are thus also development policy issues, as is the issue of financing climate change, which was dealt with only in passing in Toronto, the dismantling of subsidies for fossil fuels, and the renewed appeal to members to bring the Doha round of trade negotiations to a positive conclusion. After World Bank President Robert Zoellick recently declared the end of the "Third World", the important global issues now affect industrial and developing countries in equal measure. What we need is global, sustainable development and to avoid crises that affect us all.

But the G20 also have their own specific agenda for reducing the gap between rich and poor countries. It is doubtless due to the influence of the emerging economies that the G20 agenda is significantly more comprehensive than that of the G8, which announced at their meeting in Toronto one day before the G20 Summit that five billion US dollars would be made available to eliminating infant and maternal mortality in developing countries. This move mainly met with the criticism of the general public, since the advanced nations were, despite this generous gesture, still well away from achieving the commitments made in Gleneagles.

What are the key elements of the G20 development agenda?

The focus is on financing development. After the capital increase for the World Bank and regional development banks initiated by the G20 a year ago, the banks' volume of loans will practically double from 37 to 71 billion US dollars. This is not official development assistance (ODA), mind you, but takes the form of long-term loans at higher rates of interest to advanced developing countries. The money is needed for investments in the economic and social infrastructure, to restructure energy systems and to develop the private sector. Nevertheless, it will be competing with funding from private capital markets and it remains to be seen whether development banks and developing countries will actually be able to come up with sufficient investment projects to use this volume of loans sensibly and on a sustainable basis. Before the financial crisis they had difficulty doing just that. As a result of the crisis, a large share of the loans is currently being used as budgetary aid and it will be very hard for development banks to actually use that amount of money to finance "real" investments in developing countries and emerging economies together with private-sector funding sources.

For the LDCs, which only had observers in Toronto, the G20, in turn, have little to offer in terms of additional funding, except for the hopeful prospect of the upcoming replenishment of the relevant World Bank and African Development Bank funds. There will, however, be more countries paying into these funds, including China, Brazil and other emerging economies. And there will be fewer countries that will need to avail themselves of this funding. Vietnam, for instance, one of the biggest beneficiaries of these interest-free funds, has recently been upgraded to a middle-income country and will thus soon lose access to them. Will India, another big beneficiary, continue to rely on them when China is an important donor? We will see how weakly the aspiring powers will position themselves when it comes to funding. Against this backdrop, it is foreseeable, however, that more funding will be available for Africa, because it is especially Asian countries that are gradually ceasing to qualify as recipients of aid.

For the LDCs the G20, finally, reaffirmed their commitment to the initiative for a global programme to promote agriculture and food security that was previously adopted at the G8 Summit in L'Aquila, Italy, and in which large amounts are to be invested over the coming years.

And, finally, there is also a kind of goody bag that - also on the instigation of the South Koreans - will not be opened until the next G20 Summit in Seoul in November 2010. It contains a competition for the best funding model for small and medium-sized enterprises (SMEs), a catalogue of innovative methods for increasing the availability of financial services in developing countries, and, lastly, a report from a "Development" working group that is to be presented in Seoul.

Will the action plans that this report will contain refer to the Millennium Development Goals (MDGs) that are, after all, part of international development policy's joint touchstone until 2015? That will probably be the case, especially since there will be another UN review summit on the MDGs in September 2010 and the G20 would be ill-advised if they completely decoupled themselves from UN processes. However, the Koreans have implied that, in their pragmatic, East Asian way, they intend to focus more on concrete actions than on lofty goals and that, not least, they will also be applying their own development model as a reference case. We will have to wait and see whether the previous G20 crisis summits in the United States, the United Kingdom and Canada will be followed by a development summit in Korea.

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