

From Toronto to Seoul G20 Summits: a Civil Society Call for Seoul Development Consensus

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Key words: GWP, LICs, LDCs, MICs, FTT, MDGs, ODA, Seoul development consensus, food security, resilience to climate change, domestic resource mobilization, low carbon development, CFS, Doha Development Round, aid for trade

The article presents the analysis of the Toronto G20 summit compliance with development commitments. The author proposes the view on opportunities in the framework for strong, sustainable and balanced development and gives the description of Oxfam and other development NGOs' in this process.

Introduction

The Toronto G20 summit has upheld the principles of the framework for strong, sustainable and balanced growth. While the combined efforts of the G20 leading industrial and emerging economies to ensure sustainable economic growth beyond crisis are welcome, leading global civil society organizations have spared no effort to remind G20 leaders that growth must be pro-poor and accompanied by significant investment in health, education, climate resilience and poverty reduction. Oxfam and other development NGOs have urged the leading industrial nations to honour their Gleneagles commitments by coming up with an emergency plan to deliver the missing USD 20 billion, which was promised back in 2005.

This article analyses the Toronto leaders' declaration from the point of view of action on development and sets out key policy priorities for the Seoul G20 summit. The author argues that framework for strong, sustainable and balanced growth must incorporate clear, deliverable and time-bound actions to address poverty, climate change, food insecurity, global governance. To be successful the framework should provide for growth which is more equitable, growth that primarily looks at the ways to stimulate small-holder agriculture, provide access to finance for small and medium enterprises, establishes adequate mechanisms for poor nations to benefit from globalized economy (such as e.g. duty-free quota-free access to advanced markets) and regulates the overgrown financial sector to avoid future crises and raise billions of dollars from innovative instruments such as a Financial Transaction Tax¹ to be spent on poverty alleviation and climate change.

¹ Financial Transaction Tax is a tax of 0.05 percent that would be applied to all short-term speculative financial transactions in major OECD financial centres.

The G20 as a New Institution in the Global Governance Architecture

The emergence of the G20 as an institution heralds a new era in global governance and, indeed, reflects a fundamental shift in global economic and political affairs. On the one hand, it is commendable that the world's leading nations have recognized the increasingly multi-polar world and opted for greater representation of nations in an expanded G20 format. On the other hand, such shift represents a number of challenges. One of the key challenges, highlighted by many experts and officials themselves, is the question of legitimacy of the G20. Indeed, the G20 positions itself as the premier forum for international economic cooperation. On the other hand, how the G20 would make up for the void of constituency of the remaining 172 nations? What are G20's relationships vis-à-vis the United Nations, the World Bank, IMF and other bodies of global governance? To gain legitimacy and authority as such, the G20 arguably has the responsibility for ensuring growth which is equitable, inclusive and reaches beyond 19 countries plus the European Union.

The recent crisis has unveiled a number of global imbalances which have to be resolved in a coordinated manner by a forum of countries such as the G20. World leaders are cognizant of the facts that beggar thy neighbour policies and protectionism will only lead to a total meltdown of international economic cooperation, global trade and monetary systems. That's why both in Toronto and Seoul the leaders committed to pursue economic cooperation, fiscal consolidation, and avoidance of competitive devaluations of currencies, trade protectionism.

However, leaders must devote much greater efforts to addressing more fundamental problems that plague the world economy – the growing so-

cial inequality and non-sustainability of public finances to repair damage to the financial sector in case of a new wave of crisis.

Over the last 30 years we have witnessed a major shift in global economic governance characterized by privatization of profit and socialization of damage. From 1981 to 2001, Gross World Product (GWP) increased by USD 19,000 billion, but only 1.5 percent of this increase reached the bottom billion people. The diagram in Figure 1, depicting growth dynamics since the 1980s shows how unequal growth has been among different developed and emerging nations, with China experiencing more than 300% accumulated GDP growth over 1990–2006.

Just as growth is unequal between countries, so it is unequal within societies with the top 5 percentile of the wealthiest population receiving disproportionately more wealth in comparison with the 20 percent of the poorest. Recent research highlights that three-quarters of the world's approximately 1.3bn poor people now live in middle-income countries (MICs) and only about a quarter of the world's poor – about 370 million people live in the remaining 39 low-income countries (LICs), which are largely in sub-Saharan Africa [2].

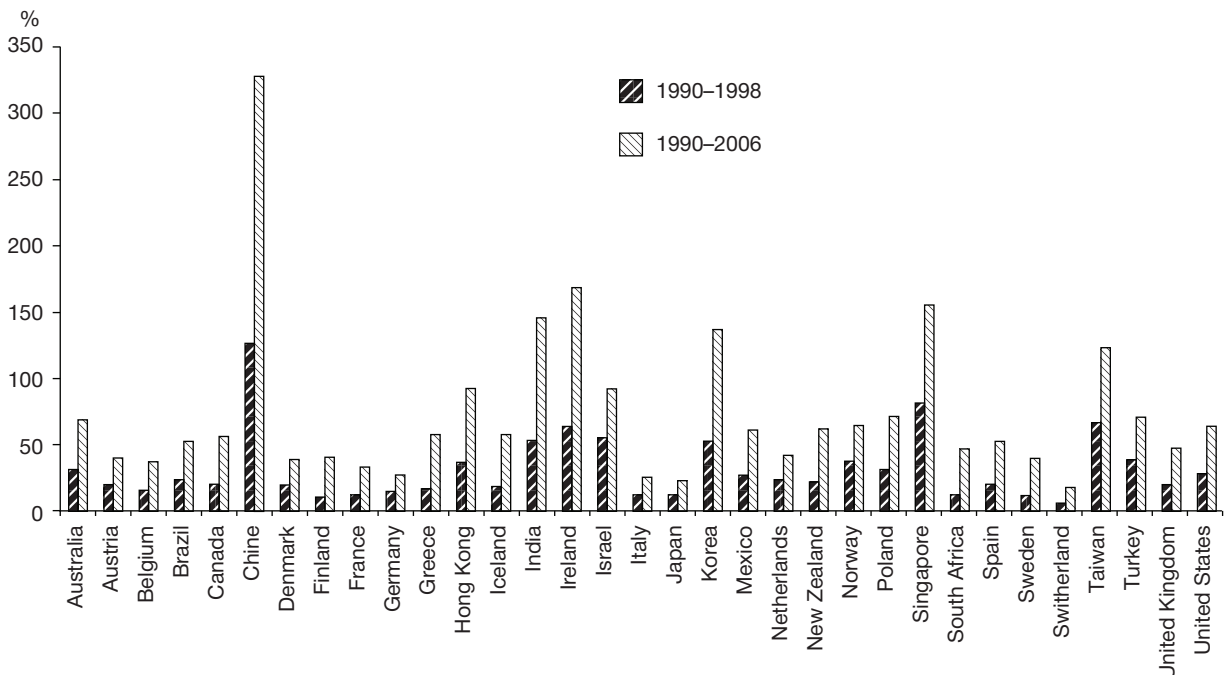
The global financial and economic crises of 2008–2009 have seen economic output contraction comparable only with contractions during major crises or large-scale conflicts.

The European Union's economy in 2009 contracted by –2.5 percent, OECD countries by –2.2 percent and the Russian Federation by –5.4 percent [3]. The public finances drawn on heavily by governments to rescue their financial institutions, have been largely exhausted and they would not bear the cost of another such crisis, if the world should go into a double-dip recession. The small chart (Fig. 2) shows the drastic measures that had to be undertaken by just two countries to prevent financial and banking system meltdown.

In future, in dealing with crises of such a magnitude, the governments must involve the financial sector and investors in paying their fair share of the cost, rather than comfortably riding through the storm on the backs of ordinary taxpayers and diverting resources from social programmes and aid to poor countries.

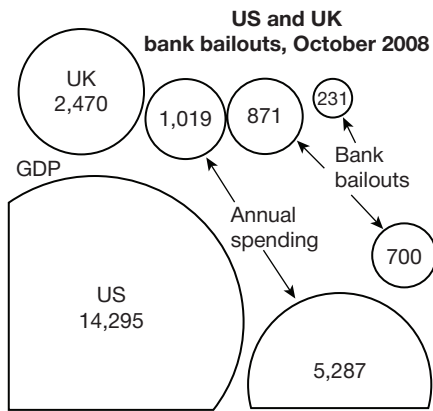
Specific Development Commitments of the G20 Toronto Summit

The G20 in its Toronto Declaration have come up with a number of important development commitments. For the purposes of this analysis, the author has made a selection of commitments, and will only focus on this selection rather than providing a commentary on the entirety of them. In particular, it is worth to note the commitment on food security: "We call for the full implementation



Source: IMF [1].

Fig. 1. GDP accumulated growth (in percent, constant prices)



Source: Wikipedia [4].

Fig. 2. US and UK bank bailouts, October 2008

of the L'Aquila Initiative and the application of its principles" [5]. L'Aquila Food Security Initiative is an important initiative launched during the Italian G8 presidency held in 2008 in Aquila. The donors have pledged USD 22 billion over three years to be spent on building resilient agriculture and food stocks, addressing famine and poor smallholders' farming in the developing nations.

The Toronto summit reconfirmed 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 global economy for all. It is important to work with Least Developed Countries (LDCs) to make them active participants in and beneficiaries of the global economic system" [5].

The G20 in June 2010 agreed to establish a Working Group on Development and mandate it to elaborate a development agenda and multi-year action plans to be adopted at the Seoul summit.

The G20 highlighted in their declaration the urgency of meeting MDGs (Millennium Development Goals) in the poorest countries by 2015 and the G20's commitment to reinforce efforts including through ODA (Official Development Assistance).

The G20 claimed to have made concrete progress on improving access to financial services for the poor and increasing financing available to Small and Medium Enterprises.

The G20 pledged to achieve more effective development outcomes by strengthening social safety nets (public health care and pension plans), and by enhancing corporate governance reform, financial market development, and increasing expenditure on infrastructure.

In their communiqué the G20 concluded that if they chose a more ambitious path of reforms, they could:

- Create an estimated 52 million jobs;
- Lift up to 90 million people out of poverty.

Increasing global growth on a sustainable basis is the most important step to improving the lives of all, including in the poorest countries. To put their ambition in a realistic perspective, the fall-out from the crisis resulted in:

- Financial crisis which left a USD 65 billion fiscal hole in the budgets of the poorest countries (lost revenue from exports plus capital flight).
- LDCs cutting their social spending, poverty reduction and climate adaptation and mitigation programmes.
- 18 million more unemployed and 200 million pushed into extreme poverty in developing countries, according to ILO.

Global Governance Reform

The G20 in June 2010 committed to the implementation of governance reform at the IMF and the World Bank. In particular, the G20 vowed to shift 4.59 percent of voting power in the World Bank to developing and transition countries. The G20 also committed to the IMF quota reform to be completed by the Seoul summit and promised that Europe would give up two seats on the IMF board and 6 percent of quotas would be transferred from over-represented to under-represented emerging market and developing countries.

Putting Development on G20 Agenda

The Toronto G20 summit succeeded in incorporating development into its agenda and setting up a Development Working Group which was tasked to elaborate principles and an action plan. Prior to Seoul, the Development Working Group met several times and came up with a 9 point action plan on development:

- 1) Development infrastructure;
- 2) Aid for trade, duty free quota free for Least Developed Countries;
- 3) Human resource development, with a focus on skills, life-long skills development, skill-related indicators;
- 4) Private investment and jobs;
- 5) Food security;
- 6) Domestic resource mobilization;
- 7) Resilience and growth;
- 8) Knowledge sharing;
- 9) Financial inclusion.

Although the G20 communiqué does not specifically indicate where the resources would be found for the implementation of the Multi-Year Action Plan on Development, experts and civil society activists have welcomed the Seoul Development Consensus. It is now up to the French Presidency in 2011 to keep development high on the agenda and propose innovative financing mechanisms that would support its implementation. Civil society urges the G20 leaders to be guided by the principles of additionality, so that any new commitments agreed at the summit must be in addition to honouring past commitments, a practice which was not always clearly defined within the G8. Therefore, civil society also looks to France in hope of leadership for the full implementation of the G8 Gleneagles commitments on aid.

Building the Case for the Seoul Development Consensus: a Civil Society Perspective

Civil society has called on the G20 to address growing social, economic and political imbalances, and elaborated a number of policy demands against which the success of the G20 in Seoul will be assessed. These recommendations are briefly outlined and discussed below.

The G20 political leaders must agree a Seoul Development Consensus that sees a permanent development mandate for the G20 founded on a strong growth with equity and sustainability agenda, and which:

- Is a main agenda item at subsequent G20 meetings.
- Departs from the failed economic policies of the Washington Consensus.
- Champions a critical role for active states that stresses the importance of investing in smallholder agriculture, land reform and social protection, health and education for all.
- Reduces inequality and tackles poverty and hunger head-on by supporting active citizens and responsive states to solve their own development challenges, and reducing structural barriers to country-led development policies.
- Strengthens the global political commitment to fight climate change.
- Makes full use of all the tools that will be needed to deliver this pro poor growth agenda on trade, regulation, and finance, including the ongoing commitment of its constituent members to meet their obliga-

tions on more and better aid, by adopting an emergency plan to deliver the US USD 20 billion shortfall against original commitments by 2012.

Governance and Representation at the G20

To be more credible, the G20 must increase and expand consultations with low-income countries (LICs) and the African Union (AU). G20 countries are urged to:

- Offer at a minimum, full and permanent seats to the AU, and to Latin American and Asian regional bodies. These seats should guarantee full participation in all preparatory meetings, working groups, and assessments of the impact of G20 policies on LICs.
- Set up a new development working group – with low-income countries (LICs) forming half its membership. This group needs to be tasked with developing a strategic implementation plan to be presented at the French G20 summit in 2011.
- Ensure its processes are transparent to allow for genuine civil society engagement in its work.
- Improve on the practices of the G8 by reporting annually against specific indicators and timetables.

A Financial Transaction Tax

The G20 must prioritize action on taxing the financial sector to raise up to USD 400 billion. The IMF's report this year on taxing the financial sector recognized that the financial sector is under-taxed and too big. Oxfam's own research² shows that

² The crisis created a huge budget revenue hole of USD 65bn, of which aid has filled only one-third. As a result, after some fiscal stimulus to combat the crisis in 2009, most LICs (including those with IMF programmes) are cutting MDG spending, especially on education and social protection. They have also had to borrow expensive domestic loans, and increase anti-poor sales taxes. Almost all LICs could absorb much more aid without negative economic consequences (whereas they have much less space to borrow or to raise taxes). The report therefore urges the international community to make strong new aid commitments at the Millennium Summit in September 2010, funded by financial transaction taxes or other innovative financing: The IMF to encourage LICs to spend more on MDG goals and on combating climate change and to report regularly on such spending; LIC governments to increase spending on social protection and education; taxation of income; property and foreign investors; and efforts to fight tax avoidance [6].

the impact of the crisis continues to hit low-income countries hard, leaving an estimated USD 65 billion hole in their budgets. A financial transaction or other tax could both regulate the financial sector, and play a vital role in helping the poorest communities recover from the financial crisis, fight poverty and tackle climate change. The best way is for the G20 to support a small tax of around 0.05 percent on all financial transactions in the major financial centres of the OECD. Such a tax is progressive, and will fall largely on the richest institutions and individuals in society. Agreement on a tax of this nature would also cement the G20's credibility on financial sector reform by illustrating a genuine commitment to redress the regulatory imbalance in the system which is biased strongly in favour of the financial sector.

The G20 in Seoul and in France in 2011 should:

- Put discussion of a tax on the financial sector back on the agenda.
- Commit to exploring and implementing a broad range of proposals such as a Financial Stability Contribution, a Financial Activities Tax and a Financial Transaction Tax as outlined in the G20-commissioned IMF report, in the major financial centres of the OECD, in order to raise up to an additional USD 400 billion annually, and commit to ensuring that 25% of any tax on the financial sector will go to helping poor countries cope with the financial crisis and 25% to assist poor countries tackle climate change.

G20 members outside of the OECD's major financial centres should also agree to explore implementation of a financial tax on transactions or activities within their own borders to fund development where appropriate.

International Financial Institutions

IMF quota reform

IMF governance discussions continue to be inadequate for addressing real reform of the institutions that will ensure genuine and positive shifts in the representation of developing countries on the IMF board. However, what was previously a closed debate has however been opened up by the US decision not to endorse the board continuing to exist in its current form, and the issue of IMF quota reform will now be decided at the G20 summit in Seoul. This makes it more imperative than ever that the Europeans present a comprehensive package of reforms that significantly consolidates the number of European seats, ideally limiting

them to three. A comprehensive reform package must include all elected board seats, transparency of board proceedings and merit based selection of senior IMF management. Finally, a double majority voting system is essential to ensure the legitimacy of the institution and that the voice of developing countries is sufficiently represented.

Oxfam and other development NGOs pressed G20 leaders on the eve of the meeting at Seoul to urgently ensure that there is deeper reform of the IMF, including a European agreement to significantly consolidate the number of European seats, ideally limiting them to three; a double majority voting system; merit-based selection of senior management; and transparency with respect to the proceedings of the IMF's Executive Board and Board of Governors.

Climate finance

Climate change threatens the future security and prosperity of all nations. It also has profound repercussions for the way we live. All G20 members will be impacted upon by the direct impacts of catastrophic climate change. All G20 countries have a role to play in agreeing a binding deal through the UNFCCC. But developed countries must lead in reducing emissions and providing the financial support and technology transfer to enable developing countries to lower their emissions trajectories.

The G20 must rebuild momentum towards a global climate change deal at the UNFCCC. A crucial trust-building element would be delivery by developed G20 nations of the promised USD 30 billion in new and additional Fast-Start financing for 2010-12. The G20 should also support a fair global mechanism to govern the agreed USD 100 billion per year in climate financing by 2020. The G8 and G20 should set a positive tone by pledging that climate finance will not be taken from aid budgets, nor count as ODA and should be additional to the 0.7 percent Gross National Income (GNI) target.

On Climate financing G20 leaders are urged to:

- Reaffirm commitments made at Copenhagen to provide new and additional resources for adaptation and mitigation in developing countries of USD 30 billion for the period 2010-2012, and confirm that these resources will be provided in addition to existing ODA targets.
- Commit to full and comparable reporting on both the sources and uses of these contributions ahead of COP16 in Cancun.
- Support a fair global mechanism to govern long-term climate finance of at least USD

100 billion per year in new and additional climate finance by 2020 committed by developed countries in Copenhagen.

- Agree a progressive tax on the financial sector which sees at least 25 percent go to helping poor countries tackle climate change. The best way is for the G20 to do this is to agree a small tax of around 0.05 percent on all financial transactions, in the major financial centres of the OECD.

Low carbon development is an inseparable part of the G20's development mandate and the G20 is uniquely positioned to lead the way on low carbon development and make a low carbon partnership with developing countries a reality. The G20 must:

- Collaborate in specific areas to drive investment in low-carbon energy and other areas of their economies.
- Require plans submitted by G20 members to the IMF under the mutual assessment process to be founded on low-carbon development strategies.

Food security

The meagre progress achieved to date on reducing hunger globally, and especially the impact of the financial crisis, show the urgent need for the G20 to take up the issue of food security. The G20 is well placed to provide increased and improved investment in small-scale agriculture, to address price volatility in commodities markets, to establish a regulatory framework for responsible investment in land, and to encourage policy coherence for food security, linking agriculture to the overall growth strategies for low-income countries.

The G20 must take initiative on these urgent issues and give political impetus to the efforts of the reformed Committee on World Food Security (CFS) to build a broader consensus for global solutions, recognizing the CFS as the source of appropriate policy coordination. In this regard, Oxfam and other development NGOs welcome the French initiative for a G20 Agriculture Summit in 2011, while insisting that it be closely linked to and supportive of the CFS process.

Regarding the severe under-financing of smallholder agriculture, the G20 should acknowledge the key role of agriculture in economic development and consider adopting a Financial Transactions Tax to help provide sustainable predictable investment. The G20 should also establish a financial mechanism, closely linked to the CFS, to ensure the G8's L'Aquila commitments of USD 22 billion are disbursed on schedule and are well coordinated in an effective country-led approach.

The sharp rise in prices in 2008, which drove the number of the hungry to over one billion for the first time in history, is but one example of the vulnerability of poor countries to swings in volatile international commodities markets. The G20 should urgently consider ways to tackle the causes and consequences of food price volatility. In particular, they should examine food reserves policies, and regulation of excessive speculation in commodities markets.

The unregulated acquisition by foreigners of large tracts of land in developing countries has sharply accelerated, potentially increasing the vulnerability of millions of people. The G20 should maintain the political impetus on this issue begun at the CFS in October, and go further by promoting an international regulatory framework that mitigates the negative effect of such land-grabs on food security in low-income countries.

World food security is a global issue that requires a concerted, comprehensive and coordinated policy response. That is why the G20 leaders are urged to:

- Encourage investment in sustainable, resilient and pro-poor agriculture, especially that practiced by small-scale and women food producers, so that it reaches its potential to feed communities and provide decent livelihoods for poor families.
- Commit to a financial transaction tax to raise revenue for fighting poverty and climate change in poor countries. This should include meeting adaptation and mitigation costs in agriculture, and supporting small-scale food producers' initiatives to combat the impact of climate change.
- Tackle food price instability through regulation, trade policies and stocks policies.
- Engage in the CFS to promote an international regulatory framework that mitigates the negative effect on food security of large-scale land investment in low-income countries and respects the rights and resources of small-scale producers.
- Strongly support the CFS process as the appropriate forum for coordination of policies to promote food and nutrition security at international, regional and national levels.

Trade

Well-managed trade has the potential to lift millions of people out of poverty but this alone is not an automatic guarantee of poverty reduction. Fair trade rules are essential to guarantee development, and yet the multilateral trading system con-

tinues to be deeply biased against the interests of developing countries:

- The G20 should signal its leadership by playing an active part, by giving credible signals, in finalising a Doha Development Round that will support development and long-term sustainable growth for all, and which includes a special package for the Least Developed Countries (LDCs).
- The G20 must also agree to revise or abolish unfair trade agreements and bilateral investment treaties such as those that restrict the ability of developing country governments to apply sensible conditions on foreign investment, as well as the unfair conditions on the Intellectual Property chapter.
- The G20 should now also agree new and binding financial commitments on aid for trade that build the capacity and infrastructure of developing countries to trade fairly, and in ways that lift people out of poverty.

Conclusion: Key Ingredients of a Successful Seoul G20 Summit

Policy outcomes

1. Agreement on a progressive new development agenda, including a commitment for a permanent mandate of the G20 on development, and confirmation that this will be a main agenda item at subsequent G20 meetings, to be reflected in the communiqué.

2. Governance – an agreement in the communiqué that the G20 will expand its consultations with low-income countries by offering at a minimum, full and permanent seats to the AU, and to Latin American and Asian regional bodies.

The G20 must show determination for governance reform by agreeing that these seats should guarantee full participation in all preparatory meetings, working groups, and assessments of the impact of G20 policies on LICs. In addition, the G20 should facilitate establishment of a new and permanent development working group – with LICs forming half its membership.

3. Accountability – a commitment to improve on the practices of the G8 by reporting annually against specific indicators and timetables.

4. Aid – Communiqué language to reflect the ongoing necessity for the G20's constituent

members to meet their obligations on aid, by adopting an emergency plan to deliver the US\$20 billion shortfall against original commitments by 2010, as part of a broader, longer-term ask around the G20's role in agreeing the right tools needed to deliver the Seoul Development Consensus (on trade, regulation, and finance).

5. Discussion of a financial tax back on the agenda at Seoul and:

- Commitment to exploring and implementing a range of financial tax proposals with a proportion to be spent on fighting poverty climate change in developing countries or,
- Agreement on a tax on the financial sector in the major financial centres of the OECD at next year's G20 summit in France.

Again, this specific ask is part of a broader, longer-term set of requests around the G20's role in agreeing the right tools needed to deliver the Seoul Development consensus (on trade, regulation, and finance).

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