

## **Bringing Development into the G20: Options for Korea**

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### ***Why Choose Development as a topic for the November Summit?***

Korea's chairmanship of the G20 in 2010 represents an opportunity to bring development issues into the policy discussion on the global economy. As the only G20 country that has successfully transitioned from poor to rich since WWII, Korea offers a unique perspective on international development cooperation and partnerships. Development and poverty reduction continue to be the principal preoccupations of many Asian leaders and indeed, by taking up the development agenda which is of high priority for all developing countries, Korea could make the G20 leaders meeting a much more inclusive and relevant event for the whole world.

The November G20 Summit will be the second of three high profile international meetings on development:

- 20-22 September 2010, New York: United Nations High-Level Plenary Meeting on the Millennium Development Goals
- 11-12 November 2010, Seoul: G20 Leaders Summit
- November 2011, Seoul High-Level Forum 4 on Aid Effectiveness.

These events provide an opportunity for establishing continuity in implementation of global priorities. The UN MDG meeting is likely to conclude that leaders remain committed to achievement of the goals and that renewed efforts are warranted. Hence, it would seem appropriate for the G20 Seoul summit to have specific proposals for next steps on at least a portion of this agenda. Similarly, if the Seoul G20 Communique calls for fresh approaches towards aid and development, it can provide encouragement for Development Ministers who will reconvene one year later in Seoul to discuss follow-up to the Paris Declaration and the Accra Agenda for Action.

### ***Is Development a suitable topic for the G20 leaders?***

One of the most significant outcomes of the Pittsburgh Summit was agreement to implement a framework for strong, sustainable and balanced global growth. Many have construed this as a way of focusing on the US-China current account imbalances that, in the eyes of some, contributed to the build-up of toxic assets in the advanced economies. But this is too narrow a view: the framework serves to multilateralize the discussion of imbalances, both in terms of number of countries and, potentially, in terms of the scope of

the issue. In past episodes of global current account imbalances, developing countries have played important roles in the global adjustment process, and there is every reason to think there are substantial advantages to them doing so again, now. And imbalances go well beyond current account deficits. They exist in access to energy, food insecurity, carbon emissions, financial stability and resilience, health and education outcomes and wealth. For example, the mean income in sub-Saharan Africa has fallen from 1/17<sup>th</sup> that of the US in 1980 to 1/44<sup>th</sup> in 2009. “Strong, sustainable and balanced” global growth is not consistent with so many countries being left so far behind.

Some of these social imbalances have been spelled out in the UN Millennium Development Goals with specific targets to remedy matters. A key idea is that global collective action is essential to resolve global imbalances.

The framework for strong, sustainable and balanced growth thus provides a useful entry point for considering a broader range of global development issues.

### ***Narrowing the Scope of the development agenda for the G20***

The G20 cannot reasonably be expected to take on the whole array of development issues. Instead, it must concentrate on a few items that are in accordance with the economic and financial focus of the group. Yet in doing this, it must also recognize that development is multi-faceted and requires an interlinked set of policy interventions. Balancing the need for focus and achievable results with the desire to be broad and inclusive is a delicate task.

One way to narrow the agenda is to develop and agree on a set of principles that would guide the inclusion of development issues in G20 agendas, both for Seoul and thereafter. The following list could be a starting point for discussion. The Seoul G20 could agree that development issues would only be taken up by the G20 in the future if:

- they are helpful to promote strong, sustainable and balanced growth;
- there is a need for international cooperation and collective action;
- the G20 can achieve concrete and tangible results;
- they reinforce the legitimacy and relevance of the G20 in the eyes of non-G20 countries.

By using these principles, the G20 would be able to differentiate its considerations of development from the G8 approach. It would signal a paradigm shift in the global debate on development. Table 1 illustrates:

**Table 1: Differentiating the G20 and G8 approaches to development**

Principle	G20 approach	G8 approach
Strong, sustainable and balanced growth	Focus on growth	Focus on welfare/poverty
	Global structural transformation	Country structural adjustment
	Systemic risk management	Mitigate impact of shocks
Need for collective action	Coherent policies towards development	Focus on aid
	Model good practice	Define homogeneous standards
	Reduce free-riding through dialogue and common understanding	Enforce global rules
Tangible results	Implementation focus (templates/scorecards)	Announcements focus
	Common accountability framework	<i>Ad hoc</i> accountability mechanisms
	Significant legacy agenda	Fresh agenda each meeting
Legitimacy and Relevance to others	Global economic governance	G8 rules
	Middle income and low income development issues	Low income focus, especially Africa
	Involve regional organizations	Invite specific countries

First, by linking development closely to the framework on strong, sustained and balanced growth, the G20 would automatically shift the focus of the development discussion from aid, welfare and poverty reduction towards growth. This would recognize the positive growth momentum in many poor countries, including Africa, prior to the crisis and ask how this can be revived. It encourages a discussion of global structural transformation, such as the likely evolution of manufacturing and commodity exports. This kind of G20 discussion on the global economy would permit all developing countries to identify opportunities from globalization and act accordingly. The G20 would also be able to discuss systemic risks and the actions needed to shield developing countries from the worst impact of external shocks. In this way, the development discussion could link with other elements of the G20 agenda such as the discussion on safety nets and financial stability.

Second, the G20 should act when collective action is called for. The macroeconomic scenarios that will be developed based on G20 member policy submissions have implications for the flows of trade and finance for development. This would permit a discussion about the development implications of such global scenarios and potentially an exploration of alternative scenarios more friendly towards development. This would permit a broad discussion of development possibilities, with emphasis on the coherence between trade, finance, investment, migration and aid policies, rather than just on the quantity of aid. At the same time, the G20 could be expected to model good practices towards development and to reduce free-riding on issues such as climate change by providing information on individual country commitments.

Third, the principle of focusing on tangible results is one that emphasizes concrete actions rather than grand announcements. Concrete actions, in turn, presuppose the existence of prior staff work such that any new initiative is ready for action and can be implemented in a timely fashion. Already, the bulk of the G20 agenda is to discuss the legacy of prior meetings. That is how it should be in an institutionalized setting. Because the G20 summit will rotate among so many countries, leaving the agenda open would risk a series of *ad hoc* initiatives aimed at grand announcements rather than at results. Having a template and scorecards, along with a common accountability framework, permits the G20 to take a focused approach to development.

Fourth, the principle of legitimacy and relevance implies that the discussion should focus on topics of concern to all (or most) developing countries, middle income and low income alike, including topics such as activities of the International Financial Institutions. That contrasts with the strong emphasis on Africa that has emerged from the G8. It would position the G20 to act as a steering committee for the world rather than just for a small group of countries. To reinforce this image, it would be useful for the G20 to involve regional organizations in the developing world in their discussions. The C10, for example, has already organized itself as a representative body for Africa in G20 discussions.

### ***Putting Principles into Action: A Development Agenda for Seoul 2010***

1. *Growth and Poverty reduction:* Assessment of the implications of collective G20 policies for development and poverty reduction, based on an analysis by the World Bank and macro scenarios of the IMF. Discussion would include finance, trade and impact of global public goods. It would assess growth poles and bottlenecks among emerging economies, South-South linkages, and prospects for public and private capital flows. Global fiscal, inflation, sovereign debt, and commodity price risks would be assessed.

2. *Finance for development:* The rules for financial stability and new financial regulation will have been largely developed by the FSB. Nevertheless, several issues remain unresolved: the desirability of some form of Tobin tax or other innovative financing

modalities; the quantity and quality of official development assistance in an environment of weak fiscal balances; possibilities for leveraging ODA through public-private partnerships.

3. *Trade:* Developments in trade negotiations and avoidance of protection as well as movement of workers and remittances are critical for development. Several G20 members have already adopted tariff-free, quota-free access for least developed countries, and others may be encouraged to move in this direction, embodying the principle of modeling good practice.

4. *Other global public goods:* There is a long list of possible development topics that could potentially be discussed by the G20. Based on the four principles outlined in Table 1, it would seem that an initial menu of a half-dozen items should be reviewed before each meeting to assess progress and the need for any action. The idea of a menu approach is to adopt a limited set of topics to be followed over several meetings, to maintain continuity and focus, and avoid leaping from topic to topic. Not all topics will require leaders' input and discussion, but leaders should be alerted as to progress on each topic and invited to discuss selected issues.

Based on the principles, especially the links to global growth and systemic risk, a first set of additional topics for the next few years could be:

- food security
- energy security
- infectious disease response readiness
- climate change financing
- quality education.

**Table 2: A menu of development topics**

	<b>Growth</b>	<b>Collective Action</b>	<b>Tangible Results</b>	<b>Relevance</b>
<b>Trade</b>	Improve competitiveness	Multilateral liberalization	Complete Doha Round  Tariff Free, Quota Free access for LDCs	All countries
<b>Finance</b>	Long-term financing for infrastructure;  Leverage public and private finance	Avoid debt build-up (flexible use of DSAs);  Aid targets  Regulation of international capital flows	Innovative finance sources	MDB capital increases and governance
<b>Food security</b>	Raise small-holder productivity; supply chains; private sector involvement	Agricultural research; avoid export quotas	Global Agriculture and Food Security Program	All developing countries
<b>Energy security</b>	Clean coal  Nuclear power	Understanding on energy/environment trade-off in developing countries	tbd	MDB procedures
<b>Infectious disease</b>	Reduce global pandemic	Preparedness and protocols	WHO alerts	Involve regional organizations
<b>Climate change</b>	"Green" growth; renewables industries	Reduce free-riding; avoid border carbon-adjustments	REDD; CC funds	MDB procedures; UN links
<b>Quality education</b>	Raise quality of human capital	Cost-effective experiences in raising quality	<i>Global Learn to Earn Initiative;</i>  Early	All countries

			international benchmarking	
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All items would not need to be discussed by leaders at Seoul. For example, *food security* has already been taken up in Pittsburgh and a new global Trust Fund will be launched in April. Probably, no further discussion by leaders would be warranted at Seoul. *Energy Security* is clearly relevant and important to all countries, and critical for global economic growth, but it is not obvious what concrete results could be achieved. This could be an area where the G20 leaders call for further work to be done by an agency. For developing countries, key issues are about price, not access, and the critical issues surround the trade-off between coal-fired plants and environmental concerns, nuclear energy, and affordable access to the latest technologies for green growth.

*Infectious disease* is not a pressing issue at this time, although there is considerable concern that global readiness to respond to an epidemic, such as an H1N1 mutation, is still limited. The degree of planning and preparation, coordination and information sharing could be enhanced on the basis of lessons learned from recent events. Elevation of this topic to the leaders' meeting would depend on the perceived urgency for action.

*Climate change* is a vast and contentious topic, and there are other forums where discussions are taking place, notably at the UN. Any G20 discussion should be narrowed down to the modalities for financing mitigation and adaptation where some agreement is needed for sustainable global growth. The G20 as a group contains the most important countries who need to act and who could provide resources to reduce the burden on the poorest countries. The topic is of high relevance to all countries but there is a high degree of risk in trying to tackle such a complex topic in this forum. The principle of being able to achieve concrete results may not be met at this time for climate change.

*Quality Education:* Learning, especially early child and primary education, is at the heart of development. Studies increasingly show that it is skills learned at school, not years of education, that determine economic success, both at the individual and the country level. This has long been recognized in Asia and Asia's commitment to quality education has been a major factor in its ability to grow rapidly. Having a well-educated labor force also helps reduce vulnerability to external shocks and facilitates a low-cost structural transformation of the labor force when necessary.

Current international initiatives emphasize access to schooling rather than quality. Access is improving, and progress has been good on achieving the MDG on primary school completion and on gender parity in education. But learning levels are low; in Mali, 94% of Grade 2 students cannot read a single word; in Uganda, half of grade 3 students fail this simple test. The need for international and national action on improving education quality is fundamental for balanced global growth.

Given its importance to development, the need for collective action to share experiences with how to improve quality, the presence of tools to permit benchmarking and monitor results, and the relevance to development, it may be appropriate for leaders to consider a new *Global Learn to Earn* initiative in Seoul. Many G20 members (including developing country members) already support education as donors; several have participated in EGRAs and so have experiences to share on using such tools; and the effort involves a collaboration between the G20 and other national governments.

Such an initiative would differ from the traditional “vertical fund” in that it would embrace a diversity of modalities of support, in addition to aid, with important capacity strengthening, south-south cooperation, knowledge sharing components. The new quality-measurement tools offer an opportunity to measure results and sharpen accountability. Annex 1 provides further details on such a concept.

***Summary: A Proposed Agenda for Seoul G20—Questions for Discussion***

1. Global growth and prospects for developing countries. Can more be done to help developing countries rebound faster? Should they coordinate fiscal exit strategies with G20 members? How can developing countries protect themselves better against global shocks? Can countries safely reduce foreign exchange reserves to free up resources for development?
2. Finance for development. What do we expect to achieve in terms of aid (quantity and quality improvements and stronger links to coherent approach to development) from the Seoul HLF4 meeting in 2011? Which developing countries are cause for concern in terms of overindebtedness as a result of the crisis? Can official finance better leverage the private sector in more developing countries, beyond the fast-growing emerging economies? Do new global financial regulations sufficiently take into account development issues (access, role of State owned financial institutions, promotion of long-term capital)?
3. Trade. Can all G20 members commit to duty-free, quota-free access for Least Developed Countries? Can progress be made on the Doha Round?
4. Infectious disease. Does more need to be done to improve global preparedness for a possible pandemic? Is a review needed?
5. Quality education. Would a *Global Learn to Earn Initiative* be welcomed?
6. Energy security. How can developing country need for power best be reconciled with environmental concerns (coal, dams) and with safety concerns (nuclear)?

If Korea could be instrumental in bringing the G20 together to focus on education quality, it would be a magnificent accomplishment. It would position Korea as a country that can take up issues that bridge the divide between developed and developing countries

and position the G20 as a grouping that can achieve tangible results for the whole world. It would reinforce and globalize a cornerstone of Asian development. And it may even provide some focus to Korea's own expanding aid operations, if it so chooses.

The proposed agenda for development would help Korea:

- institutionalize the G20 agenda by establishing a set of principles for inclusion of agenda items;
- position the G20 as an action-oriented body that can implement agenda items highlighted in important UN Summits
- link the rest of the world into the framework for strong, sustained and balanced growth by providing mechanisms that encourage their active engagement.

## **Annex 1<sup>1</sup>**

### **A Proposal for a G20 *Global Learn to Earn Initiative***

Recognizing that there is a global *learning crisis*, especially in developing countries, the G20 proposes a new initiative to shift the paradigm in global education from one that is primarily focused on expanding access to one that is simultaneously focused on improving quality. Data shows that it is the skills learned through the process of education that generate economic growth, and not merely the years enrolled. Cognitive skills development is causally related to individual earnings and national income growth rates. Better educated populations are also more resilient labor forces – they are less vulnerable to economic shocks and able to more quickly transition from one type of work to another in response to labor force changes. Better learning outcomes from education means *stronger and more sustainable economic growth and economies and families that are more resilient to globalization shocks*.

Many countries are suffering from educational investments that deliver poor learning outcomes. For example, more than 94% of grade 2 students learning in French in Mali were unable to read a single word of connected text. Even in grade 6, 17% of the students failed to recognize a single letter. In Uganda, half of the children in grade 3 mother-tongue classes could not read a single word. These examples are echoed around the world. Countries with insufficient resources, bad policies, or those affected by conflict are struggling to make their educational investments more effective. This is also a worry for advanced countries. The United States' GDP would have been 9-16 percent higher in 2008 if US high school graduates had the average skills of their peers in Canada, Finland, and South Korea. To achieve *globally balanced economic growth*, it will be necessary to ensure that those countries with low levels of learning in their education system do not fall further behind.

Measuring learning outcomes, including at early grades, is the essential first step. Most of the G20 countries are already engaged in this effort. For example, Argentina,

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<sup>1</sup> Prepared by Rebecca Winthrop and Anda Adams

Australia, Brazil, Canada, South Korea, India, South Africa, the United Kingdom, and the United States assess reading in the early grades. Additionally, some G20 members already support other countries in developing these learning assessments. Russia has established Russian Education Aid to Development (READ) Trust Fund for supporting assessment system development in 7 countries and the U.S. has supported this work in 19 countries, along with the UK and EC. Therefore, the G20 is well placed to lead the world in a new approach to education.

In its new *Global Learn to Earn Initiative*, the G20 commits to supporting any country that develops a sound learning strategy for improving literacy, numeracy and critical thinking skills. The support will come through several mechanisms, including increased multilateral and bilateral aid, technical assistance, capacity strengthening, south-south cooperation, and knowledge sharing. The learning strategy must include regular assessments of learning outcomes and could include interventions in education, health, or other areas. Illustrative examples of possible interventions, include:

- Policy development to support national assessment cycles (e.g. align learning goals with development priorities, assessing learner performance on these goals, and acting on results by improving policies).
- Train teachers on how to set realistic learning goals for students and provide students the support they need to reach them (e.g. training teachers how to teach reading and math).
- Provide basic health and nutrition support to children in-school and out-of-school (e.g. deworming).
- Develop flexible literacy and numeracy programs that can be delivered rapidly through state and non-state actors to reach out-of-school groups, such as child laborers or conflict-affected children.