

THE G20'S "DEVELOPMENT" AGENDA: FUNDAMENTAL, NOT A SIDEBAR

Rohinton P. Medhora

Key Points

- For the most part, the family of existing international institutions dates back to the Bretton Woods era and, more broadly, to the power structure and thinking that prevailed at the end of World War II.
- The G20's leaders have tried to balance the dual roles of managing the global economy and stewarding globalization since its creation. A fundamental aspect of the leaders' deliberations revolves around restructuring the current system to manage globalization by strengthening selected institutions, streamlining overlaps and addressing gaps in governance.
- This brief outlines concrete proposals for addressing three issues where the gaps are particularly salient, and the intersection between development and wider global challenges are particularly pronounced — climate change, the Internet and sovereign debt.

Background: G20 Summits and Development

Since the creation of the G20, its leaders have tried to balance the twin roles of managing the global economy and stewarding globalization more broadly. The G20's development agenda straddles this fault line, as financial, development and global governance issues converge. As a result, even the first three summits held at the depths of the financial crisis¹ went beyond short-term crisis management to pronounce on such matters as harnessing the International Monetary Fund (IMF), World Bank and other multilateral development banks (MDBs) to cushion the effects of the crisis on developing countries; the importance of maintaining course in achieving the UN Millennium Development Goals (MDGs); and keeping the international flows of goods and services buoyant. In Pittsburgh in September 2009, the last of the true "crisis" summits, energy and climate change — two areas that also demonstrate how finance, development and globalization overlap — had also crept into the summit discourse and therefore into the leaders' final statement.

While debt relief for Haiti made it to the leaders' final wish list in Toronto in 2010, it wasn't until Korea's presidency that followed in the same year that a comprehensive (or at least consolidated) agenda for development was discussed by leaders. The elements of the discussion (infrastructure, labour markets, food security, trade, investment, small and medium-sized enterprises, and sharing of best practices) resonate singly and together, but what really matters is their sustained advancement.

Other items that have caught the G20 leaders' attention, such as corruption, tax havens and green growth, also have strong implications for developing countries, and go some way to demonstrate the joined-up nature of financial and broader global governance problems.

¹ Summits were held in Washington, DC (November 2008); London (April 2009); and Pittsburgh (September 2009).



The grandly named Seoul Development Consensus for Shared Growth was oversell. Leaving aside the tone-deaf nature of using the word “consensus” well after the Washington Consensus and the imperial thinking around it had well and truly imploded, subsequent summits did not provide the same prominence to the subject that the Koreans had. But in covering the issues they have, the G20 leaders have properly understood the nature of globalization, and correctly averred that even a narrow reading of financial crisis necessitates branching out to such issues as trade, taxation and poverty.

After several years of drift, the G20 presidency rests with China this year, Germany in 2017 and either Brazil or India in 2018, all countries that have the heft to provide this group greater purpose and impact. Globalization isn't getting any less complicated. The institutions and processes we have to manage it remain the critical link between intent and outcome. Strengthening some, marginalizing or even eliminating others, and streamlining overlaps or creating new ones where needed still remains at the heart of the G20 deliberations.

The Legacy of Institutional Change

The family of existing international institutions dates back to the Bretton Woods era, and more broadly to the power structure and thinking that prevailed at the end of World War II. The principal developments since then have been:

- the creation of the International Fund for Agriculture and Development (IFAD) in 1977 to channel petro-dollars (with a governance structure reflecting the weight of oil exporting countries);
- the transformation of the General Agreement on Tariffs and Trade Secretariat in 1995 to a full-fledged treaty-based organization, the World Trade Organization (WTO);
- the coming into force of the United Nations Framework Convention on Climate Change in 1994 and, more recently, the creation of the International Renewable Energy Agency as treaty-based fora to address aspects of climate change;
- the creation of the International Criminal Court (ICC) in 2002;
- the creation of the Financial Stability Board (FSB) in 2009 to succeed the more informal Financial Stability Forum (FSF); and
- the creation of new lending institutions such as the Asian Infrastructure Investment Bank (AIIB) and the New Development (“BRICs”) Bank by rising powers.

While together this amounts to appreciable change, how appreciable and to what effect is an open question. Following the Russian doll-like diminution of the scope of the Doha Round of trade talks and

the explosion of regional trade accords (419 in force at last count), the WTO finds itself marginal to the global trade agenda, a fate also ascribed to the World Bank and the IMF in their respective spheres, albeit for different reasons. The advent of new international financial institutions (IFIs) and the proliferation of trust funds at the World Bank and the regional IFIs are indicators of the disconnect between the voting structure at the traditional IFIs and the ongoing shift in global economic power.

IFAD remains a well-regarded niche agency that finances a range of rural agricultural activity. Despite the many G20 pronouncements on food security, IFAD's operations have not changed or been enhanced as a result.

The creation of the ICC is arguably the single most important advance in the post-war era, concerned as it is with an area that was entirely absent from the post-war global governance rubric. It provides a signal change in the pursuit of trans-border justice, but currently remains mired in controversy over the sole presence of Africa and Africans in its active docket (Hornsby 2015). To date, the G20 has shown no inclination to deal with issues around post-conflict justice and reconciliation.

Gaps in Development-related Global Governance

The G20 group of world leaders has, at times, provided significant leadership in the evolution of international institutions. At its insistence, the FSF was beefed up to become the FSB, a “fourth pillar” in the management of the global economy. While as a group its pronouncements on, say, the Doha Round or IMF reform have been of the right order, in practice, progress has been spotty, as events in both these instances demonstrate. There is a new generation of global public goods and bads, where existing institutions either overlap or do not adequately exist. A short list would include managing the Internet; dealing with climate change; preventing and, when they occur, mitigating the effects of pandemics; and creating a regime to handle sovereign debt problems. It is an indication of the convergence in global action areas that these topics are not “purely” development-oriented, but they are global in the sense that developing countries are principals in the creation of the problem *and* its resolution. Transmission channels and feedback loops across national boundaries ensure as much.

The context within which existing institutions are reshaped and new problems addressed matters. Currently there is little appetite to create new bricks-and-mortar organizations, much less engage large swaths of international civil servants to staff them. The role of the private sector and of civil society is now recognized as integral to addressing a range of global issues. Flexible, networked processes, rather than old fashioned institution creation, will likely prevail.

There is no such thing as the perfect institution. Fault lines and actual or perceived defects in the operation of existing institutions need not indicate that wholesale changes are in order, for the current gamut of institutions has mostly served the global community well. The question is one of addressing gaps in global governance, and finding the right balance between continuity and change by supporting existing institutions where they exist (Martin 2015).

The case of the World Health Organization (WHO) is a good example. The organization has been correctly criticized for its inadequate response to the Ebola crisis that started in March 2014. However, years of financial cutbacks and internal reorganization contributed to the WHO's decay. And more recently, the organization has acquitted itself better at the outbreak of the Zika virus. In this case, a clear and fully resourced mandate rather than a new agency is the way forward. G20 leaders could put their weight behind just such a reformation of the WHO.²

Ways Forward

Climate Change

Climate change arguably poses the biggest and most immediate challenge to global governance. There is no single institutional “fix” that is required here; rather, what are needed are many small and medium-sized ones (the majority of them at the national and subnational level). The international issues at the core of the problem relate to creating a level playing field in the pricing of carbon globally, and finding and distributing the technologies that will lead to a greener future. Three proposals, with the wind of the G20 behind them, would address the institutional vacuum that currently exists.

First, my CIGI colleague Maria Panezi (2015; 2016) has proposed a series of measures that would harness the WTO-based global trade rules to effectively create a global price for carbon in traded goods and services, thus removing the free-rider problem otherwise inherent.

Second, the pursuit of green technology and its dissemination would benefit from an examination of the case of an under-appreciated facet of development, agricultural research, two generations ago. Since 1971, CGIAR network of research centres, now numbering 15 spread across the world, has conducted research on the science and policy of agriculture, aquaculture and nutrition. The system is funded by dozens of national governments, and private and public organizations. Patents are held in the public interest and advances in technology and technique are disseminated swiftly and freely across countries. Reviews have consistently noted the path-breaking technologies

the CGIAR Centers have found and spread, and the millions of lives that have improved as a result. This is the moment and purpose to create a new organization in an era where this is frowned upon — a “CGIAR for green technology.”

Third, the Advanced Market Commitment (AMC) mechanism is an important innovation in incentivizing pursuit of the global good. An AMC creates a fund to guarantee a profitable market for a technical advance that is pre-specified and unlikely to be produced without such an incentive. Building on the experience that Canada (with Italy, Norway, Russia, the United Kingdom and the Bill & Melinda Gates Foundation) gained on pneumococcal vaccines, there is no reason why this method might not be applied to other areas in health and new sectors such as clean energy and agriculture.

Together with its ongoing commitment to “name and shame,” and ultimately phase out fossil fuel subsidies worldwide, a G20 commitment to support and implement these three proposals would go a long way in filling the large gap globally in tackling climate change.

The Internet

Although it does not have the same visibility (and therefore urgency) associated with it that climate change has, the Internet rivals climate change in at least three respects: its importance to our daily lives; the gaps in its management; and the complexity when the technical and governance issues are treated jointly. As a forthcoming CIGI-Chatham House report (2016) states, “the Internet is more than simply a system of wealth generation; it also acts as a platform for innovation, free expression, culture and access to ideas. Yet across multiple levels, the Internet's basic functionality and the rights of users are under strain.” As with climate change, the governance gap cannot be filled by the creation of a single new institution. Rather, key principles surrounding the balance between access, individual rights and national security concerns have to be commonly agreed upon before the appropriate governance regime is designed.

The Internet has not made it to the G20 agenda — yet. While concerns about “mission creep” and ability to make a difference are valid, it is hard to imagine how progress on managing the Internet more effectively can be made without the G20 playing a leading role, if only an exhortatory one. The *Global Commission on Internet Governance Final Report* (due in June 2016) and the background papers that inform it, will go some way in treating the subject in a comprehensive manner. My CIGI colleague Barry Carin has proposed that the G20 could invite the GCIG,³ together with the World Bank and the AIIB, to prepare a report on “the Internet and growth,” assessing initiatives to promote development by improving Internet security as well as affordability, accessibility,

² Road maps may be found in Patrick and Chardell (2015) and in Huang (2016).

³ See www.ourinternet.org.

inclusivity, infrastructure, and human digital capacities. The report could provide options for the G20's potential coordination and catalytic roles, for presentation in Germany in the fall of 2017.

Sovereign Debt

Although the current wave of sovereign debt crises are centred in Europe, historically the lack of a systematic sovereign debt resolution regime globally has hurt primarily developing countries. Moreover, the gap between the poorer debt-ridden European countries and the more successful emerging economies continues to diminish and, in some cases, reverse.

My CIGI colleagues Richard Gitlin and Brett House have proposed a Sovereign Debt Forum to address the gap in tracking debt and, when required, managing sovereign debt crises in a transparent and systematic manner that includes all key stakeholders (Gitlin and House 2013). This, coupled with making the FSB a formal treaty-based organization, would go some way in getting beyond the incoherence that currently characterizes key aspects of the management of the global financial system.

In conclusion, this is a time of great ferment in global governance and the institutions that constitute its core.⁴ Much of the ferment is driven by the changing contours of development between and within countries. What constitutes a “development” agenda for the G20 is not simply a discussion among academics. G20 leaders have already recognized the interconnectedness of the world's problems. Distilling and prioritizing them as this paper has done demonstrates that the remaining large gaps in global governance are worldwide *and* developmental issues. What better way to signal why the G20 was created in the first place. And what better tandem than the China-Germany-Brazil/India troika as G20 chairs to lead the charge for what is a multi-year agenda.

Author's Note

Earlier versions of this policy brief benefited from the suggestions of CIGI Senior Fellow Barry Carin, as well as participants at the Berlin T20 Conference, “The 2030 Agenda and Pathways to Sustainable Development, International Cooperation and the G20 Presidencies of China and Germany,” held May 12-13, 2016.

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4 For a fuller account, see Malone and Medhora (2014).

Acronyms

AIIB	Asian Infrastructure Investment Bank
AMC	advanced market commitment
FSB	Financial Stability Board
FSF	Financial Stability Forum
ICC	International Criminal Court
IFAD	International Fund for Agriculture and Development
IFIs	international financial institutions
IMF	International Monetary Fund
WHO	World Health Organization
WTO	World Trade Organization

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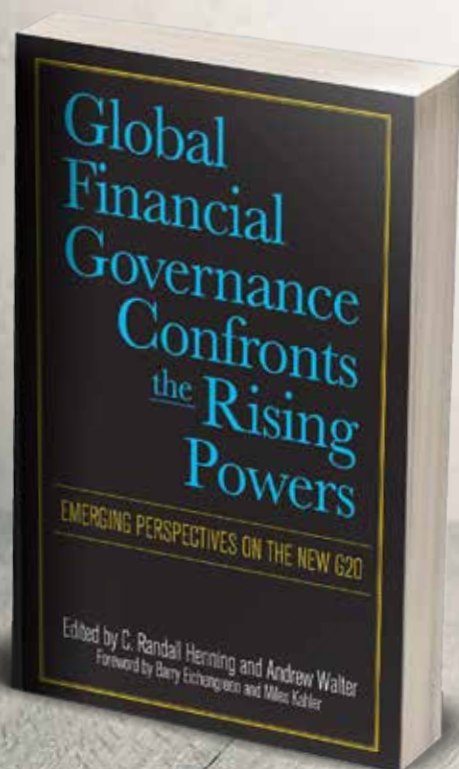


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About CIGI's Group of Twenty Research

The Group of Twenty (G20) research theme focuses on addressing gaps in global governance; discussing policy issues critical to Canada's position and role in the global economy; penetrating policy circles internationally; and gaining leverage through strategic partnerships. More broadly, the G20 is a premier forum for Canada to regularly engage with global leaders where it can contribute to its longstanding efforts toward a more equitable governance framework. CIGI's G20 research cuts across several program themes, due to the wide scope of the G20 itself.

Acknowledged as a central area of CIGI's expertise, the G20 research stream in its early days is credited for having provided the analytical underpinning for the elevation of the G20 to the leaders' level. CIGI convened its first G20-focused group in December 2009, when it helped lay the groundwork for the forum to expand from national finance ministers to leaders. Since then, CIGI has proactively engaged with the G20 rotating chairs with the aim to influence their summit agendas through the provision of high-level, policy-relevant advice.



Global Financial Governance Confronts the Rising Powers

Emerging Perspectives on the New G20

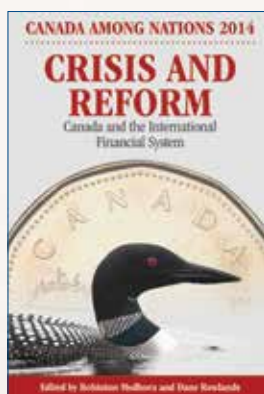
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Emerging market and developing countries have doubled their share of world economic output over the last 20 years, while the share of the major developed countries has fallen below 50 percent and continues to decline. The new powers are not simply emerging; they have already emerged. This will remain true, despite financial turmoil in some of the rising powers. This historic shift in the structure of the world economy affects the governance of international economic and financial institutions, the coordination of policy among member states and the stability of global financial markets. How exactly global governance responds to the rising powers — whether it accommodates or constrains them — is a leading question, perhaps the leading question, in the policy discourse on governance innovation and the study of international political economy.

Global Financial Governance Confronts the Rising Powers addresses the challenge that the rising powers pose for global governance, substantively and institutionally, in the domain of financial and macroeconomic cooperation. It examines the issues that are before the G20 that are of particular concern to these newly influential countries and how international financial institutions and financial standard-setting bodies have responded. With authors who are mainly from the large emerging market countries, the book presents rising power perspectives on financial policies and governance that should be of keen interest to advanced countries, established and evolving institutions, and the G20.

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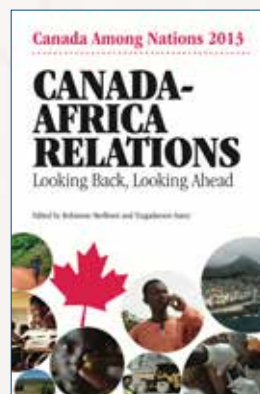
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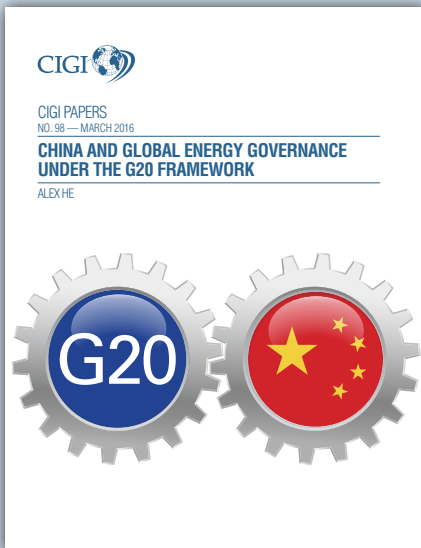
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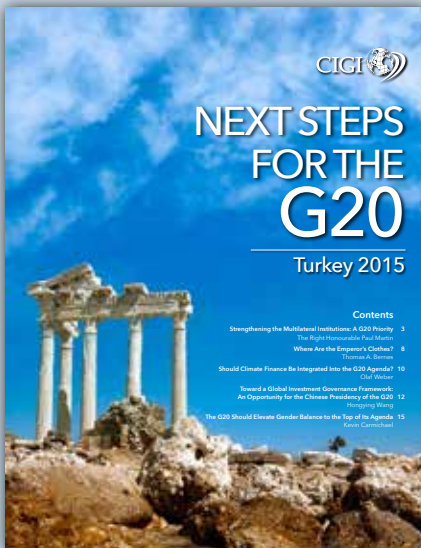


China and Global Energy Governance Under the G20 Framework

CIGI Paper No. 98

Alex He

This paper explores China's perspectives and practices in its quest for overseas energy supply security and its participation in international energy cooperation since becoming a net oil importing country in 1993. It compares the traditional approach, in which China mainly focuses on bilateral means to pursue its overseas energy supply security, and the new concept of energy security, in which greater involvement in global energy governance, in particular in the Group of Twenty, is highlighted to promote China's energy security.



Next Steps for the G20: Turkey 2015

The Right Honourable Paul Martin, Thomas A. Bernes, Olaf Weber, Hongying Wang and Kevin Carmichael

On November 15-16, 2015, leaders of the world's major advanced and emerging economies met in Antalya, Turkey, for the G20 summit. In this special report, CIGI experts present their perspectives and policy analysis on the key priorities facing the G20. The Right Honourable Paul Martin states that the multilateral institutions created to make globalization work should be a G20 priority. Thomas A. Bernes asks whether G20 leaders and the institutions that support them can articulate a "policy upgrade" that brings more credibility than last year's Brisbane Action Plan. Olaf Weber argues that the next step for the G20 should be the development of policies and guidelines that help to manage climate change and financial risk in a prudential way. Hongying Wang examines China's rare opportunity as it assumes the presidency of the G20 to push for collective new thinking on how to establish a less fragmented and more coherent global framework for investment governance that balances the interests of different stakeholders. Finally, Kevin Carmichael suggests that the G20 should elevate gender balance to the top of its agenda.

About CIGI

The Centre for International Governance Innovation is an independent, non-partisan think tank on international governance. Led by experienced practitioners and distinguished academics, CIGI supports research, forms networks, advances policy debate and generates ideas for multilateral governance improvements. Conducting an active agenda of research, events and publications, CIGI's interdisciplinary work includes collaboration with policy, business and academic communities around the world.

CIGI's current research programs focus on three themes: the global economy; global security & politics; and international law.

CIGI was founded in 2001 by Jim Balsillie, then co-CEO of Research In Motion (BlackBerry), and collaborates with and gratefully acknowledges support from a number of strategic partners, in particular the Government of Canada and the Government of Ontario.

Le CIGI a été fondé en 2001 par Jim Balsillie, qui était alors co-chef de la direction de Research In Motion (BlackBerry). Il collabore avec de nombreux partenaires stratégiques et exprime sa reconnaissance du soutien reçu de ceux-ci, notamment de l'appui reçu du gouvernement du Canada et de celui du gouvernement de l'Ontario.

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