

Saint Petersburg Development Outlook

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2013

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“...we agree to establish a Working Group on Development and mandate it to elaborate, consistent with the G20’s focus on measures to promote **economic growth and resilience**, a development agenda and multi-year action plans to be adopted at the Seoul Summit.”

The G20 Toronto Summit Declaration, June 2010

1. The main added value of the G20 development agenda has been a strong emphasis on the importance of economic growth. Economic growth has been central to the progress achieved in reducing poverty and boosting the prospects of the lowest income segments of the population. Following our mandate, strong, sustainable, balanced, inclusive and resilient economic growth will be essential to achieve the goals of ending poverty and boosting shared prosperity. We recognize the need for continued political leadership by the G20 to promote a development path that improves the quality of life for current and future generations. To that end, we will build on the foundations of the Seoul Development Consensus for Shared Growth to frame the approach to our future work.

Reinforcing the G20’s Commitment to Shared Growth

2. In the context of the slow global economic recovery and the continuing need to narrow the development gap and reduce poverty in developing countries, particularly low income countries (LICs), G20 Leaders agreed during the June 2010 Toronto Summit to establish the Development Working Group (DWG). The G20, while continuing to serve as the premier forum for international economic cooperation, welcomes the opportunity to add value to, and complement, existing development commitments in other forums. We see the G20 playing an important role in creating a more prosperous and sustainable future for all through improvements in the levels and quality of growth, thereby reducing poverty, improving quality of life and creating decent jobs. We will continue working in close partnership with International Organizations (IOs) and non-G20 stakeholders to support national efforts of the developing countries, LICs in particular.

3. We emphasize the need to give further momentum to our work to enhance the role of developing countries, as new poles of global growth, through close collaboration with the DWG. We acknowledge the importance of finding ways in which economic growth, environmental protection and social inclusion can complement and reinforce each other. Building on the Los Cabos Leaders’ Declaration we will continue to support developing countries in sustaining and strengthening their development through appropriate measures, including those that encourage inclusive green growth in the context of sustainable development, and focus our priorities and efforts on removing the bottlenecks for growth in developing countries, particularly LICs. The G20 seeks to complement international efforts towards further progress on internationally agreed development goals. The agenda takes account of the outcomes of the UN High-Level Plenary Meeting on the MDGs, as well as with processes, such as the Fourth UN LDC Summit, the 4th High Level Forum on Aid Effectiveness and the United Nations Conference on Sustainable Development (Rio+20). We seek to ensure that the future G20 development agenda is flexible enough to respond to the Post-2015 Development Agenda.

Refining the G20's Approach to Development

4. The first three years of the G20 development agenda delivered strong results and saw G20 members take concrete actions implementing Seoul Multi-Year Action Plan (MYAP). With most of the G20's first MYAP actions now complete, we see value in refining our approach and identifying new actions for the future development agenda. Drawing on the lessons learned from our first accountability process and building on the results achieved, the G20 will use the considerations below to strengthen and streamline these efforts:

- Our future agenda and actions will be guided by the following outcome-focused, long-term objectives to promote growth through: quality jobs and investment; trust and transparency, sustainability and resilience; and social inclusiveness.
- In close consultation with our developing country and LIC partners, as well as relevant international and regional organizations, we have identified core priorities for the G20 development agenda to guide future work. These are set out in the Annex. We will work to support regional priorities and initiatives in core priority areas where we believe the G20 can add value and promote national ownership.
- The DWG will select new actions by ensuring their close alignment with the six G20 Development Principles in the Seoul Development Consensus. In particular, new actions must advance our objectives, be realistic, evidence-based, take account of cross-cutting issues and be appropriately funded, where needed, on a voluntary basis.
- We recognize the need for a flexible approach that allows future G20 presidencies to respond to new priorities and circumstances, including the Post-2015 Development Agenda.
- Reiterating the Leaders' call in the Los Cabos Declaration to put in place an accountability process to monitor implementation of ongoing and future G20 development actions, the DWG will integrate accountability into its future work too. This will include a comprehensive accountability report every three years and identify when monitoring of specific actions will cease.

5. While new challenges emerge constantly, the formulation and implementation of the G20 development agenda will only succeed through sustained, comprehensive participation from relevant stakeholders, building a common vision between developing and developed countries, and taking stock of their respective responsibilities and roles.

6. The outreach process with developing countries is critically important for informing the G20 development agenda and receiving feedback which can then help we take account of their priorities. We consider the G20 DWG to be an important link between broader G20 policy actions and the effects on the LICs. We also confirm our commitment to work in close partnership with LICs, including through South-South and triangular cooperation.

7. We should strengthen our dialogue with other main partners, including the private sector, academia and civil society to maximize the benefits of our initiatives.

8. We recognize the important contribution of IOs in providing analysis, identifying priorities and supporting implementation of our actions. The joint efforts of the relevant IOs, taking into account their expertise and technical assistance, have been essential in identifying coherent approaches to the main development challenges. In this sense, the DWG will continue to deepen collaboration with the relevant IOs and to promote joint work.

9. The DWG will remain focused on strategic actions to create enabling environments for development. The DWG agenda is linked to the work in other fora and G20 tracks. The DWG will therefore seek to promote greater coherence with broader development efforts.

Annex

Annex

FOOD SECURITY

Challenge: The international community is grappling with the twin tasks of alleviating immediate suffering and the longer-term challenge of feeding a growing and rapidly urbanizing population. Almost 870 million people suffer from hunger and the vast majority of them live in developing countries. If the status quo continues, to feed an expected population of more than 9 billion in 2050, global food production will have to increase by at least 50-70 per cent. Poverty stands at the root of this challenge, which is also complicated by constraints such as population growth triggering more demand for food against slowing productivity, rural poverty, lack of infrastructure in LICs, underinvestment, food price volatility, growing competition for scarce resources including land and water, climate change, and access to markets.

Response: Food security and nutrition require sustainable production and productivity growth with a particular emphasis on smallholder and family farmers development needs, gender equality and women empowerment, decent jobs especially in rural areas, comprehensive rural development, responsible investment, capacity building, transparent and efficient markets, increased resilience, reduction of food losses and wastes, safety nets and better nutrition for everyone. The G20 can best add value through political leadership to foster a coordinated, integrated and longer-term approach in most of these areas.

NEW ACTION: PROMOTING FOOD SECURITY, NUTRITION, ECONOMIC GROWTH AND JOBS

We will review by March 2014 critical opportunities for economic growth and job creation in connection with food security and nutrition focusing on LICs. This review will build on all relevant G20 work to date and incorporate inputs from the Social Protection Interagency Cooperation Board.

ONGOING ACTIONS

We will enhance dissemination of best practices on food security and nutrition, building on existing initiatives such as network centers of excellence and knowledge sharing platforms on food security and nutrition, as well as the preparatory process for the 2014 International Conference on Nutrition and continue to monitor and implement on-going actions:

- *commitment 24 on food reserves and access to humanitarian food supplies*
- *commitment 26 regarding the Principles for Responsible Agricultural Investments*
- *commitment 28 on agricultural risk management; and*
- *commitment 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 Scientist, in particular on agricultural research and technology.

FINANCIAL INCLUSION AND REMITTANCES

Challenge: Globally, more than two billion adults lack access to financial services. While millions escape poverty every year, many fall back into it due to financial setbacks, health problems and other shocks. If available at critical moments, effective tools for savings, payment, credit and insurance can increase households' resilience to crises and help them seize opportunities to escape poverty. Evidence also suggests that people with a bank account or access to savings instruments consume more, have higher incomes, invest in preventative healthcare and are less vulnerable. International efforts, including those of the G20, have paved the way for increased access to financial services among the poor. Yet despite these efforts, access to financial services and the level of financial literacy in many low income countries (LICs) remains low. Many poor households currently have an inadequate understanding of the benefits, risks and responsibilities involved in taking up financial services. Among these essential financial services for the poor, the global average cost of sending remittances is also declining too slowly.

Response: The Global Partnership for Financial Inclusion (GPFI) demonstrates how the G20 can use its catalytic power to increase international cooperation with a broader group of stakeholders on an issue critical to enhancing strong and inclusive growth. By focusing on the development potential of remittances, the DWG can lead efforts to reduce the global average costs of sending remittances and thereby increasing the money flowing back to developing countries.

NEW ACTION 1: FACILITATE PROVISION AND UPTAKE OF FINANCIAL SERVICES

In coordination with the GPFI, 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

We will continue to implement:

- the G20 Financial Inclusion Action Plan (commitment 36), incorporating commitment 37; and
- the SME Finance Compact launched in 2012 and the G20 Peer Learning Program (commitment 41 and 42 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.

INFRASTRUCTURE

Challenge: Infrastructure is a key driver of economic growth, job creation, poverty reduction and sustainable development. The lack of appropriate [sustainable] infrastructure impedes a country's competitiveness, productivity, human resource development, delivery of key social services and participation in the global economy. Key bottlenecks to long-term investment in managing and maintaining existing infrastructure facilities pose critical challenges for sustainable development. The G20, as a group, needs to take further practical actions to contribute to increased financing and investment in infrastructure and enhance infrastructure development.

Response: Given the scale and importance of the infrastructure challenge in developing countries, the G20 should continue to support efforts to improve project preparation funds (PPF), as highlighted in the 2011 MDB Action Plan and the Infrastructure Consortium for Africa (ICA) report. The DWG also reinforces the importance of public-private partnerships, and promotes ongoing improvements within MDBs to optimize sources of finance.

The DWG has scope to enhance policy coherence and coordination on long-term financing, including with the G20 Study Group on Financing for Investment. Similarly, useful lessons could be learned from infrastructure funds already set up or being established by the MDBs. Long-term investment management and maintenance, sustainable and climate resilient planning considerations, and distributed approaches to improve accessibility are emerging issues that are pertinent to informing the DWG focus on facilitating effective investment for infrastructure.

NEW ACTION 1: ADDRESS LONG-TERM FINANCING FOR INFRASTRUCTURE

We will examine potential implications for LICs from work of the G20 Study Group on Financing for Investment (SG) and strengthen our coordination with the SG.

NEW ACTION 2: EXPAND ASSESSMENTS OF PROJECT PREPARATION FUNDS

We will assess the effectiveness of PPFs in regions in addition to Africa in promoting long-term investment financing for infrastructure, increase understanding of the obstacles to implementation, disseminate this knowledge through a common platform, and consider the creation of a global network of regional PPFs.

ONGOING ACTIONS

We will continue to implement commitments not yet complete under the MYAP action on an MDB Infrastructure Action Plan (2, 4, 6, 8, 10).

HUMAN RESOURCE DEVELOPMENT

Challenge: In many developing countries the lack of adequate skills for employment is a major bottleneck for economic growth. The existing educational and technical vocational education and training systems often do not provide students with the basic skills and qualifications required in the labour market. Therefore even those who are with high qualifications end up unemployed or getting jobs that under-utilize their skills. At the same time, employers face difficulties in finding adequately skilled and experienced labour force. The need for skills enhancement becomes even more critical in the context of changing demographic profiles and the large portion of the global working population will be the youth in developing countries.

Response: Continuing efforts are required to implement the G20 Training Strategy and support developing countries in their policies to develop employment-related skills that are better matched to labour market needs. Policies should encourage dialogue between employers and education and training providers as well as develop capacity building among top-managers and trainers in technical and vocational education and training systems and institutions to exchange best practices in skills development. Skills development should be integrated into public policies governing infrastructure, food security, trade, environment, nationally determined social protection systems and other priorities. Finally, innovative training approaches, including private sector participation, should be developed and be directly linked to employment policies, aiming in particular to enhance competitiveness, promote economic diversification, and accelerate the creation of decent jobs and employment.

Our actions to advance poverty reduction and shared prosperity through human resource development will include further investment in mechanisms to effectively anticipate **skills needs and further improvement of** approaches to skills training.

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

We will follow up carefully the Seoul Multi Year Action Plan 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 [commitment 32].

DOMESTIC RESOURCE MOBILIZATION (DRM)

Challenge: DRM is fundamental to enable developing countries to increase sustainable sources of funding for development to complement aid flows. An additional benefit flowing from DRM is that reliance on internal resources strengthens a country's ownership of public policy and increases accountability to citizens. Greater accountability naturally leads to a greater and more coordinated effort by government to fight illicit financial flows and corruption, in all its forms. This will, in turn, increase domestic revenues, improve the investment climate and bring more certainty for business.

However, a number of systemic issues block the ability of governments to maximise their domestic revenue. Developing countries must grapple with such challenges as tax base erosion and profit shifting (BEPS), transfer pricing and illicit financial flows which are further amplified by severe capacity constraints.

Developing countries have generally only made limited use of information exchange. They often lack the legal basis and technical guarantees for the exchange of information.

DRM is the quintessential crosscutting issue, closely linked with poverty eradication; fighting corruption; sound macroeconomic policies aimed at sustaining high growth rates and job creation; investment in basic economic and social infrastructure; and strengthening and developing domestic financial sectors.

Response: Strengthening the tax administrations of developing countries, particularly LICs, constitutes the main response to these challenges. The supranational nature of the challenges addressed requires a coordinated approach by IOs and both developed and developing countries. The G20 can add value to international efforts to address this challenge for developing countries, particularly LICs. We note the work of the OECD on BEPS, and the relevance of this work to developing countries. Close cooperation with other G20 workstreams and in particular the Anti-Corruption Working Group is crucial.

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

- 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 Multilateral Convention on Mutual Administrative Assistance 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).