



**G-20 Ministerial Meeting on Development
(Washington, D.C., September 23, 2011)**

**Preliminary Report on the G-20 Action Plan on Development
Summary by the French Presidency**

At the invitation of the French Presidency, the first G-20 ministerial meeting on development was held in Washington, D.C. on Friday, September 23 with the ministers of finance and the ministers responsible for development cooperation.

In addition to financing for development and climate change, including innovative financing and taxation of financial transactions, the meeting addressed the implementation of the G-20 development action plan.

The recommendations discussed by the ministers were based on the preliminary report of the G-20 Development Working Group summarized below.

The G-20 development agenda is central to the issues facing the G-20. Development issues and global economic issues can no longer be treated in isolation. In recent decades, globalization has helped lift millions of people out of extreme poverty; it has contributed to create jobs in numerous developing countries; and it has been a key factor in the economic emergence of a growing number of these countries. However, during the same period, other countries have fallen behind, and inequalities have tended to grow; the gap between the average income of the 20 richest countries and the poorest countries of the world has doubled, with the income of the richest group now representing more than 30 times the income of the poorest countries.

As the primary forum for global economic cooperation, the G-20 approaches development from an economic growth standpoint. In developing countries, economic growth is the main engine for reducing poverty and narrowing prosperity gaps at the global level. It is also a prerequisite for achieving the Millennium Development Goals. At a time when economic uncertainties regarding world growth are on the rise, and global imbalances must be eliminated, economic growth can contribute to global economic recovery by creating new focal points of growth and helping to reduce disparities.

The decisions discussed and proposed by ministers are likewise key components of this agenda. They are designed to overcome obstacles that stand in the way of strong, balanced growth in

developing countries, in particular low-income countries, while enhancing resilience in those economies.

Among the proposals, the French Presidency welcomes the collective progress achieved with respect to the two priorities identified this year—namely, infrastructure and food security—as well as in the areas of social protection, migrant transfers, and inclusive finance, which are matters of concern to the most vulnerable people.

Infrastructure gaps, particularly for energy and transportation, are major obstacles to economic activity and development in developing countries. Insufficient investment in infrastructure deprives the economies of sub-Saharan Africa of two percentage points of growth each year.

To improve the situation of developing countries and allow for strong and broadly based growth, in particular for the poorest countries, an integrated, innovative approach has been adopted, resulting in these proposals to the Leaders, as discussed by the Ministers:

The G-20 has requested the implementation of a joint action plan for the multilateral development banks (key stakeholders). The project is intended to improve the functioning of the multilateral development banks and enhance their capacity to finance infrastructure requirements through internal measures aimed at strengthening support for regional projects, improving the harmonization of procedures to facilitate cofinancing arrangements, and making better use of project preparation funds. The plan also proposes measures to promote public-private partnerships, establish more precise analysis of priority infrastructure needs, and increase transparency in construction contracts through the adoption of a CoST Initiative based on work done in the mining sector (Extractive Industries Transparency Initiative—EITI).

A high-level panel on infrastructure was set up early this year. This panel, chaired by Tidjane Thiam, President and Managing Director of the Prudential insurance company and former planning minister of Côte d'Ivoire, brings together international experts mainly from the private sector. The preliminary policies discussed in the panel's report, to be presented in Cannes, are designed to improve the business climate as a way to promote public and private investment in infrastructure in developing countries, diversify and enhance sources of financing, and develop financial instruments. The panel is tasked to identify, in consultation with the multilateral development banks, exemplary infrastructure projects, on the basis of selection criteria pertaining to the regional scope of such projects, their spinoff effects on growth and sustainable development, and their attractiveness to the private sector.

The development of trade and regional integration is a critical factor in promoting economic development and private investment in developing countries, especially in the least developed countries (LDCs). The main measures proposed in this area concern Africa specifically. They are intended to build the capacity of the regional economic communities and to help develop the trading capacity of low-income countries, particularly the LDCs (trade assistance, trade financing, trade facilitation, and support for the creation of a trade finance facility within the AfDB).

Following the report requested from international organizations, including United Nations agencies, the World Bank Group, and the OECD, it is proposed to support the implementation of principles for responsible investment in developing countries. In this regard, a series of indicators will be tested in pilot projects in six developing countries to measure the impact of private investment projects (particularly in terms of creation of local added value and local jobs).

An “innovation challenge” will be launched at the Cannes summit to identify and reward innovative private investment projects in developing countries.

The mobilization of domestic tax resources is essential to progress in developing countries: development finance, affirmation of democracy and government accountability, resilience to shocks that gives local authorities fiscal space for countercyclical measures, and development of an adequate tax base to maintain infrastructure and borrowing capacity. The proposed measures are intended to provide more support for tax administration capacities in developing countries and increase the transparency and accountability of donors and lenders, recipient countries, and private firms alike. Multinational firms are urged to increase their transparency and compliance with tax laws. It also proposed to support the program recently launched by the competent multilateral organizations to assist developing countries in drafting and enforcing their laws, particularly in the area of transfer pricing.

G-20 and other countries are encouraged to promote mechanisms and standards to increase the transparency of multinationals’ contributions to governments, as the EITI does in the mining sector. The Global Forum on Transparency and Exchange of Information for Tax Purposes is strongly urged to develop a platform to provide technical assistance to developing countries in the area of tax information exchange. Finally, countries are invited to sign the Convention on Mutual Administrative Assistance in Tax Matters.

The dramatic situation in the Horn of Africa has underscored, once again, the challenges of ensuring food security in certain regions of the world. Feeding the world’s nine billion inhabitants in 2050 will require the doubling of agricultural production in developing countries.

Observing that the agricultural sector has not received adequate support for the past 20 years, we recommend that investment in the agricultural sector be increased through the mobilization of international development assistance and national budget resources as well as private investment. The shared objective is to increase agricultural production and productivity.

Following the meeting of the G-20 agriculture ministers last June, the work on development allowed to move forward on the following main axes:

(i) Scaling up of initiatives to improve nutrition through targeted actions but also by including this priority in poverty reduction strategies and development policies. In addition, increasing national and regional emergency food reserves was identified as a key requirement to mitigate the impact of food crises on the most vulnerable people, as in the pilot project to be led by the Economic Community of West African States (ECOWAS) with the support of the World Food Programme (WFP) to develop a regional system of emergency food reserves.

(ii) Improvement of research and innovation, in particular through the implementation of a joint research platform on tropical agriculture, proposed during the recent Montpellier conference. The platform is expected to strengthen North-South, South-South and triangular cooperation and knowledge sharing.

(iii) Promotion of efforts to develop responsible agricultural investment, particularly through the ongoing work of the Committee on World Food Security and of FAO to establish voluntary guidelines for land management.

(iv) Finalization at the level of MDBs of a joint multiannual Action Plan to increase their interventions in the agricultural sector, of which the first guidelines have been presented.

(v) Improved protections against excessive price volatility for the most vulnerable population groups through risk management strategies and instruments such as the countercyclical loans developed by the Agence Française de Développement, insurance instruments, and hedging against risks (climate, price, harvests, and stocks). Multilateral development banks, including the IFC, are invited to finalize an action plan to expand these tools and promote their inclusion in national and regional action plans for agricultural development. Finally, WFP is requested to develop a risk cover strategy to hedge against excessive food price increases.

(vi) Support to small producers in particular, by including them in school meal development programs or public-private partnerships, with special attention to women.

(vii) Continuation of the dialogue initiated with the private sector, including the World Economic Forum, to increase private investment and develop public-private partnerships in the agricultural sector.

The effects of the global economic crisis have fallen disproportionately on the most vulnerable, and in a context of heightened economic risk there is an increasing need to develop mechanisms to offer greater protection and ensure a more inclusive path toward growth.

In this perspective, the G-20 proposals are intended to:

(i) Support the creation or development of domestic social protection platforms in developing countries;

(ii) Agree on a shared objective of reducing the cost of migrant remittances so as to reduce average costs to 5 percent by 2014. Achieving this objective will generate an additional \$15 billion for people in developing countries;

(iii) Implement an action plan for financial inclusion incorporating key measures to promote access to credit for SMEs, to benefit especially of women and small holder agricultural producers.

The Washington meeting was the first G-20 ministerial meeting on development and underscored the G-20's added value in this area. The diversity of the G-20 countries and the complementarity of their economic development and international cooperation experiences will be leveraged through the development of knowledge sharing platforms and triangular cooperation, especially in the areas of social protection, agriculture, and professional training.

The challenge of development is both a shared concern for all the G-20 countries and a shared commitment. The objective is to set milestones for a global, innovative partnership for development that incorporates civil society and the private sector. This is the message we will bring to the Fourth High-Level Forum on Aid Effectiveness later this year in Busan, Korea.