# PASSING THE DEVELOPMENT FOOTBALL FROM THE G8 TO THE G-20

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The G-20 has become the self-proclaimed premier forum for international economic cooperation and is now wrestling with what this means for its agenda. So far, the G-20 has been preoccupied with fire-fighting recessions in rich countries. However, in Pittsburgh, leaders outlined a far more ambitious agenda of pursuing a framework for strong, sustainable and balanced global growth.

One implication of this is that the G-20 must now consider what it can do to promote economic development. According to the IMF, emerging and developing countries will account for half of global growth in 2010 and 2011 and probably an even larger fraction of long-term global growth. Therefore, those who worry about the lack of any driver for global aggregate demand—with U.S. consumers spending less excessively—should recognize the demand in developing countries from the new consumer classes and for infrastructure investments is still vast. Satisfying that demand is one of the pillars of the framework for strong, sustained and balanced global growth.

But it is not so easy for the G-20 to discuss development because "development" has traditionally been a topic for the G8, and the G8 seems to be reluctant to give up this role.

The G8 translated the spirit of the Monterrey Financing for Development conference into specific actions and helped focus attention on Africa. It led the way forward on debt relief for the poorest countries, on increasing aid levels and on support for the Millennium Development Goals. The latest major global development initiative was the April launch of the Global Agriculture and Food Security Initiative, conceived during the G8 meeting in L'Aquila last year.

It is not surprising then that the G8 believes it can still contribute to resolving the international development challenge. In Canada, Prime Minister Stephen Harper has made maternal and child health a priority item and has said that the agenda must focus on "helping the poorest and most vulnerable." Tony Blair has urged the G8 not to let aid for Africa slip off the agenda; and a number of African leaders have been invited to Huntsville as part of the G8 outreach program.

One obvious task for the Canada G8 Summit is to discuss the outcome of the bold G8 promise made at Gleneagles to raise aid to the poorest countries by 2010. The G8 promised $50 billion more in total aid and $25 billion more in aid to Africa. Based on budget figures of G8 members, collected by the OECD/DAC, actual aid in 2010 will fall well short—the increase in total aid might be $28 billion of which $11 billion is destined for Africa. The glass-half-full crowd can still celebrate a commendable expansion in aid (5.1 percent growth per annum in real terms since 2004) in the face of a harrowing global recession, but the glass-half-empty crowd will decry another round of broken development promises.

It would be wrong to attack the G8 for failing to meet its aid commitments. Actually, most countries have increased aid and the process of making ambitious commitments in a common cause appears to have helped spur high real aid increases. Only a few countries have performed poorly on this count. It would also be wrong to suggest that the G-20 should take up development just because it includes a few developing country members and is therefore a more legitimate body.

Rather, global development issues should be discussed in whichever grouping can be most effective. The G8 must be given credit for achieving some real results on aid, debt relief and the pursuit of non-income MDGs. But the G8 process has been very focused on aid in support of the MDGs in the least-developed countries. Issues of growth, jobs, investment and private sector business development, and avoidance and mitigation of the impact of economic crises have received much less attention from the G8.

Many analysts are urging a change in focus and have made Africa into the frontline of a war of competing development "brands." Ten years ago, *The Economist* branded Africa as "the hopeless continent," and not surprisingly the international response was to focus on improving the desperate living conditions of poor Africans—a welfare approach. Since then, Africa has grown robustly thanks to soaring commodity prices and now boasts an economy in excess of $1 trillion. Ngozi Okonjo-Iweala, a World Bank managing director and former Nigerian finance minister, talks about Africa in the same vein as the BRICs—as a desirable destination for foreign direct investment, home to some of the best reformers on easing business regulation and a place of strong growth, at least in a handful of economies that have grown at East Asian-like rates of over 7 percent over the last decade.

This is the G-20 development brand. It potentially offers a more comprehensive view of development that is more relevant to a diverse group of emerging and developing countries than just the poorest aid recipients. However, the G-20 has not yet developed an actionable agenda to show that it can deliver in a meaningful way. That agenda needs to be spelled out at the Korea G-20 Summit in November. The agenda needs to reinforce global commitments to stable financial flows, for example, by strengthening safety-net and infrastructure funding through international financial institutions. It needs to address the waste involved in fossil fuel subsidies that globally amount to $800 billion per year, vastly higher than development aid. It needs to ensure that new global financial regulations do not blunt innovations in mobile phone banking in developing countries or small and medium enterprise access to finance.

In short, the G-20 can ensure that global rules of the game do not have unintended adverse impacts on developing countries. That would be a much more powerful driver of poverty reduction than aid. In Canada, the G-20 meeting must repeat what Korean President Lee Myung-bak said in Davos earlier this year: "At the November Seoul Summit, we will place development issues firmly on the agenda." It's time to pass the development football from the G8 to the G-20.