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The Toronto G-20 Summit and Global Development

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June 4, 2010

The fourth G-20 Summit, to be held in Toronto on June 26–27, is crucial not only for near-term issues in the global economy but also for the evolution of this new global leadership body. As Summit host, Canada has identified three themes: financial regulation, exit from crisis stimulus programs, and global trade and growth. Clearly ensuring rich-world economic recovery and reducing the likelihood of another major rich-world financial crisis matters for poor people in the developing world.

But I worry that the G-20 leaders, preoccupied with these urgent issues, will give short shrift to the more fundamental challenge they claimed as their objective last year: ensuring “inclusive and sustainable growth.”

It would be sad and ironic if an expanded and partially democratized steering group for the global economy ended up reducing, not enlarging, attention to the needs of the world’s poorest and most vulnerable people—including the 3 billion people who live in more than 100 countries not represented in Toronto

In the past, at G-7 and later G-8 Summits, leaders often included a significant development dimension in their discussions. The G-8 leaders will meet again, for what may be the last time, on June 25, the day before the G-20, in Huntsville, north of Toronto. *The G-20, to establish its legitimacy as the world’s top forum on economic issues, must demonstrate in Toronto that it is ready to take up challenge of addressing development concerns.*

Progress in Canada on key policy issues affecting poor people is possible. Canada has put forward several promising ideas and South Korea, which will host the fifth G-20 Summit in November, is preparing an ambitious development agenda. *I urge global leaders now preparing for their trips to Canada, and the hard-working sherpas who are negotiating the agenda, to redouble their efforts on behalf of people who struggle every day against extreme deprivation.*

Based on my discussions with senior officials involved in the preparations for the G-8 and G-20 Summits, here are five areas where I believe that progress is possible:

- **Trade Preference Reform:** Extending long-term duty-free, quota-free market access to all least developed countries would provide a critical boost to the world’s poorest people, with only trivial effects on preference-giving countries. G-20 leaders should embrace trade preference reform this year to promote growth and stability in the world’s poorest countries. A commitment in Toronto to simplify rules of origin (a serious shortcoming in existing preference regimes) can set the stage for further preference reform in Seoul.

- **Financial Inclusion:** Financial sector reform to prevent excessive risk taking is necessary but must not come at the expense of reduced access to financial services for poor people. Many low- and middle-income households and, small and even middle-sized firms lack access to financial services—not only credit but also savings, insurance, and the ability to make financial transfers. *A regulatory overreaction to rich-country financial service industry excesses must not be allowed to slow the pre-crisis movement to increase access.* (A CGD [working group report](#) on principles for expanding financial access offers a useful benchmark for assessing what the G-20 says in this important area.)
- **Aid Effectiveness:** With the debt and deficit problems in traditional donor countries, the days of steadily increasing aid budgets may be behind us. Legislators and tax payers are increasingly calling on the official aid community to innovate, to measure outcomes, and to leverage private resources. Promising, incentive-based “pull” mechanisms that tap the power of market-like incentives are on the table. The UK and others are investigating using advance market commitments to spark big investments in cheap low-carbon energy. Canada is exploring incentives to accelerate private investment in agriculture R&D, and the application of Cash on Delivery Aid ([a CGD proposal](#)) to reduce maternal mortality. *A G-20 call for aid donors to experiment with incentives tied to measurable outcomes could greatly accelerate this promising movement.*
- **Climate Change:** The so-called BRICS—Brazil, Russia, India and China—have been adamant in their refusal to have anything about climate on the G-20 agenda. *But unless the G-20 leaders can find a way to talk about this issue—perhaps in private, off-the-record conversations—the outcome of the upcoming climate summit in Cancun, Mexico, will be little better than what we saw last December in Copenhagen.* At least, high-income countries could reiterate their commitment to provide \$10 billion a year for the next three years in fast-start climate financing. The advanced developing countries, for their part, could lock in and clarify with specifics their commitment to monitoring, reporting, and international verification of their emissions to the United Nations.
- **Strengthening the Multilateral Development Banks (MDBs):** The MDBs heeded the G-20 call to accelerate disbursements in response to the financial crisis. Having emptied their coffers, they all are now seeking general capital increases. These make sense. But in the case of the World Bank the proposed \$86 billion increase is too small for the bank it ought to become—with a clear mandate and bigger resources to address collective action problems, such as climate change, agricultural R&D, and the collapse of global fisheries. *The G-20 statement should reaffirm the logic of better capitalized development banks and make clear the World Bank’s special role in providing global public goods.*

The G-20 Toronto Summit will provide leaders with an important opportunity to build a healthier, stronger, and more sustainable global economy. I hope that they will not miss this chance due to an excessive focus on near-term crises.