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Foreword

The Commonwealth and Francophonie relationship and engagement with the G20 Development Working Group (DWG) commenced in 2010; and has been steadily growing ever since. An inaugural meeting in Cape Town in 2011, which brought together the six Commonwealth and Francophonie members of the G20 and several developing country members of the two associations shared information about the then-new G20 DWG and its emerging processes and policy priorities; and discussed three among these – trade, growth with resilience and financial inclusion – all crucial challenges for the poorest, smallest and most vulnerable developing countries. That meeting yielded several technical insights and policy suggestions to address these challenges. Building on this success, a second Commonwealth, Francophonie and G20 DWG meeting, held last year during Mexico's G20 Presidency and chaired by Mexico as Chair of the DWG, took the initial process of engagement further, embracing a more extensive process of outreach and integration of developing country perspectives into G20 development policy formulation. The 2012 meeting, held in Washington DC, considered two further policy issues: food insecurity and green growth, outlined the key challenges faced by developing countries in these areas of policy and contributed further suggestions for policy action.

During Russia's Presidency of the G20 in 2013, the process of Commonwealth and Francophonie engagement with the G20, including the G20 DWG, has advanced yet a further step and has qualitatively deepened and broadened. Collaboration between the G20 Presidency, the Commonwealth and Francophonie Secretariats has been extended, lessons and best practice from the two initial engagements distilled and applied; and a new dimension to the engagement successfully introduced. A third dialogue and outreach meeting took place in April 2013 in Washington DC. Chaired by Russia as President of the G20 for 2013, this year's Commonwealth, Francophonie and G20 DWG engagement focused on three substantive policy issues – all priorities both for the two associations and for the Russian G20 Presidency: Infrastructure and Infrastructure Financing; the Post-2015 Development Framework; and Financial Inclusion. A detailed set of policy challenges have been identified and several suggestions to address these challenges through practical policy action have been highlighted.

The Russian G20 Presidency has also focused this year on the G20's own mechanism for accountability for the G20's development commitments. This is an emerging new aspect of G20 inquiry. The G20 DWG has invited developing country perspectives on the G20's accountability for its development commitments, including from Commonwealth and Francophonie developing countries. In support of these efforts the perspectives of the developing country members of the two associations have been surveyed and distilled summaries of these insights offered to the G20 DWG. A detailed paper on Commonwealth perspectives on G20 Accountability has also been prepared and discussed as part of the dialogue and outreach between the Commonwealth, Francophonie and the G20 DWG.

This volume includes all of the material supporting this year's technical engagements between the Commonwealth, Francophonie and the G20 DWG to date, including policy papers prepared for technical discussions on the three substantive policy issues discussed at this year's dialogue and outreach meeting; a background paper on Commonwealth Perspectives on G20 Accountability; a summary of survey responses on this theme, as well as the meeting Outcome Statement.

The Secretariat gratefully acknowledges the continued support provided by the AusAid, in support of this year's Commonwealth – G20 engagement.

Cyrus Rustomjee, *Director: Economic Affairs Division*, Commonwealth Secretariat, May 2013

COMMONWEALTH SECRETARIAT

ORGANISATION INTERNATIONALE DE la francophonie

Outcome Statement

G20 Development Working Group, Commonwealth Secretariat and Organisation Internationale de La Francophonie

Washington DC 21 April 2013

Outcome Statement

G20 Development Working Group, Commonwealth Secretariat and Organisation Internationale de La FrancophonieWashington DC, 21 April 2013

1. Members of the Commonwealth and La Francophonie held an outreach meeting with Russia, President of the G20 in 2013 in Washington DC on 21st April 2013 and several members of the G20 Development Working Group (DWG). We welcomed Russia's initiative to hold the outreach meeting, which has contributed to a further deepening of dialogue and engagement between the three associations, enabling the perspectives and priority development challenges of many of the poorest, smallest and most vulnerable developing countries to be discussed and brought to the attention of the DWG. Participants included over 20 developing country members of the Commonwealth and Francophonie, from Africa, Asia, the Pacifc and the Caribbean regions, nine G20 member countries and several international organisations including the World Bank and International Monetary Fund, Alliance for Financial inclusion, UNDP, OECD and the G24. We welcomed the discussion and valued suggestions by members on where the G20 DWG might best add value to the narrowing of development gaps, consistent with the G20 Framework for Strong, Balanced and Sustainable Growth.

2. We noted the successful conclusion of the second Annual Commonwealth Dialogue on G20 issues, which had immediately preceded our meeting. The dialogue had identifed a number of policy issues which Commonwealth developing countries considered to be important priorities for future G20 focus. These included: infrastructure, fnancial inclusion, human resource development, as well as knowledge sharing and peer learning. In this discussion, many developing countries considered it important for the G20 to examine how best it could contribute to several on-going global development issues, including green growth and the post-2015 development framework. We also welcomed internal G20 discussions to refect on, and where necessary adjust, its development priorities.

3. We welcomed the G20's decision at the 2012 Los Cabos Summit to launch an accountability mechanism in order to better evaluate and communicate the G20 DWG development commitments. This is an important initiative that is gradually and steadily progressing and which offers the ability to examine both compliance with development commitments, as well as the added value and the impact for developing countries. As an initial contribution to this process, developing countries of the Commonwealth and the Francophonie have provided their input in the assessment process of the G20 DWG development agenda.

4. We considered a range of economic, social and developmental challenges confronting Commonwealth and Francophonie developing countries. These are impeding progress in eradicating poverty, addressing vulnerabilities, promoting growth and building resilience. We focused on three priority issues: providing G20-relevant inputs to the debates on the successor development framework to the Millennium Development Goals (MDGs) which

ends in 2015; promoting infrastructure and securing long-term infrastructure financing; promoting financial inclusion and protecting vulnerable states against global risk and shocks.

Post – 2015 Development Framework

5. We welcomed the priority attached by Russian G20 Presidency to complement and support international efforts on the post-2015 development framework and recognised the intensive international efforts underway, which are being led by the United Nations and supported by a wide range of initiatives at the international, regional and national level.

6. We welcomed presentations by Nigeria and the UK on the work of the UN Secretary-General's High- Level Panel of Eminent Persons on the Post-2015 Agenda. Commonwealth and Francophonie developing countries have a long-standing and extensive interest in the MDGs and in a securing a robust, sustainable and effective successor framework. Both associations have had recent extensive Ministerial discussions and engagement and these are expected to continue. We noted the G20 priority of maintaining a strong focus on achieving the current MDGs with a targeted push on those goals that relate to core G20 growth objectives.

7. We discussed the strengths and weaknesses of the current framework, noting that the strength of the MDG framework is rooted in the availability of simple measurable, concise, time bound goals, targets and indicators and considered that the post-2015 framework should retain these characteristics.

8. In discussing the potential role of the G20 in the post 2015 development framework, it was noted that progress in MDG achievement has been constrained by a lack of several enabling factors and that the successor framework would need to better incorporate economic aspects of growth and development. As a key stakeholder in the global partnership for development, the G20 can help create a global environment that is conducive to growth and development, and help address priority areas such as: infrastructure development; securing inclusive growth; securing structural transformation and fostering improved access to and participation in the global trading system; better recognising the role of governance, security and the rule of law in securing growth and development; and taking better cognisance of initial conditions and heterogeneity in national circumstances.

9. Our development experience has shown that sustainable development and poverty reduction are important elements in the 2015 framework discussions. In this regard, we heard about the challenges of small and vulnerable states in achieving their development objectives, and the particular importance of jobs and sustainable growth with resilience.

Financial Inclusion

10. We discussed financial inclusion (FI) in the poorest, smallest and most vulnerable developing countries and welcomed the continued progress being made by many countries. FI represents an important pillar of the G20's development agenda and we welcomed progress being made including through the Global Partnership for Financial Inclusion. We welcomed both the Maya Declaration and have encouraged members to participate in this initiative, as well as the G20's recently-established Financial Inclusion Peer Learning Program. We support Russia's priority issues of consumer protection and financial literacy, as well as the proposal to focus on the needs of women, youth and migrants.

11. Many innovative means are being found and utilised in the poorest and smallest developing countries to improve access to financial services, by developing clear mechanisms to promote a better understanding of the financial system, its risks and benefits; establishing mechanisms to address consumer complaints and consumer protection; and promoting national initiatives to enhance financial education. Many countries are making satisfactory progress in addressing the nine principles, including a number of African and Pacific island members. Challenges nevertheless remain severe, with over 70 per cent of the world's adult population lacking access to basic financial services, including savings or checking accounts and credit facilities and with most of the financially excluded are in poor vulnerable developing countries, including Commonwealth and Francophonie small islands states and with access to reasonably-priced finance for small and medium enterprises (SMEs) continuing to be a major challenge.

12. Several practical options can help. Developing countries, particularly small states can strengthen efforts to develop measures of data on FI. Regional and international standard setters can deepen collaboration with countries to implement and disseminate policies which address newer products and services more promptly; and can better help share emerging examples of best practice. G20 and other collective international efforts can help develop a more comprehensive information base and a core set of data on FI, particularly for small states in the Pacific and the Caribbean; prioritise G20 recommendations and principles for FI, particularly to assist small states and LDCs; strengthen support to these countries' efforts to implement the principles, including on a phased basis; help develop and promote standardised self-assessments; and help share examples of best practice and innovations in FI, including through funding and fostering new networks. We welcomed a number of new initiatives launched under Russia's G20 Presidency to strengthen and take further the G20's work on FI and noted these will contribute to supporting efforts by the poorest developing countries in promoting FI.

Infrastructure Development

13. We discussed the challenge of many of the poorest, smallest and most vulnerable developing countries in building infrastructure, attracting suffcient sources of long-term infrastructure fnance and maintaining adequate levels of foreign direct investment. This can help overcome macroeconomic, demographic and other vulnerabilities, promote growth and employment and build resilience. We noted that a number of countries, particularly small states are experiencing particular challenges as a consequence of climate change. Infrastructure and infrastructure fnancing gaps are very large indeed; and many countries, particularly small states, sub-Saharan African countries and LDCs face particular and disproportionate hurdles in addressing these gaps and overcoming structural underinvestment. The G20 is focused on this challenge, both through the DWG, where LICs are a particular focus, and the fnance track, where long-term fnancing for investment is a new priority this year. We welcomed progress made by the G20 to help promote infrastructure and long-term infrastructure, including through the work of the High-Level Panel on Infrastructure, by helping improve understanding of risks, the challenges faced by developing countries in attracting infrastructure investment and developing effective enabling environments, highlighting the need for a stronger role for the private sector in delivering infrastructure and identifying model examples of regional infrastructure fnancing.

14. We discussed several innovative mechanisms and instruments to enhance infrastructure and infrastructure fnancing. Potential options include diaspora bonds, local currency bonds, risk pooling and expanding the use of guarantees. Commonwealth and Francophonie developing countries also highlighted several other opportunities including scaling up of green infrastructure and the use of green bonds, developing more widely-available mechanisms to provide longer-term counter-cyclical concessional fnance, output-based aid and emerging new sources of global savings, including infrastructure fnancing from sovereign wealth funds and other emerging development banks.

Continuing Engagement

15. We have agreed to continue deepening engagement and collaboration, through actively facilitating dialogue and the sharing of information, to highlight and to address the needs of the poorest, smallest and most vulnerable countries. The DWG has invited both associations to attend and present at a lunch session of the forthcoming DWG meeting in May 2013, on the issue of small and vulnerable countries indebtedness. We will continue to explore opportunities for further outreach.

16. We oort3218008Tj/CS1 9.ecPresidency for facilitating this meeting and the IMF for providing the venue for our meeting. We express218our gratitude to the Government of Australia for its fnancial support for the Commonwealth-G20 development dialogue.

COMMONWEALTH SECRETARIAT

ORGANISATION INTERNATIONALE DE la francophonie

Emerging Commonwealth and Francophonie Perspectives on the Post-2015 Development Framework

Paper for the Commonwealth-Francophonie-G20
Development Working Group Outreach Meeting
21 April 2013, Washington, D.C.

29 March 2013

Contents

Acronyms

CCGE	Commonwealth Consultative Group on the Environment
CHOGM	Commonwealth Heads of Government Meeting
CWDCs	Commonwealth Developing Countries
DAC	Development Assistance Committee
DWG	Development Working Group
LDC	Less Developed Country
LLDC	Land Locked Developing Country
MDGs	Millennium Development Goals
MYAPs	Multi-Year-Action-Plans
OECD	Organization for Economic Cooperation and Development
SIDs	Small Island Developing States
UN	United Nations

Introduction

The Millennium Development Goals (MDGs) expire in 2015 and discussions have started internationally on what might replace them as a global agreement to promote poverty reduction and development. The United Nations (UN) is leading the process and negotiations to agree these new global goals. This global discussion is being pursued in the context of a continuous and rapidly changing global economic, political and developmental environment; and a context in which there are many new development actors, a new poverty map and persistent challenges to the underlying efforts to achieve structural transformation. A successful outcome will require the new framework to both take account of this context and also to embed in the new framework an ability to adapt on a continuous basis to on-going dynamic change.

The Commonwealth, and the Francophonie two associations, including six G20 members, over almost seventy developing countries including thirty two sub-Saharan African members and thirty four least developed countries as well as many of the world's poorest, smallest and most vulnerable developing countries, have had a long-standing and extensive interest in the MDGs and their achievement; and have a profound interest in the global discussions on a successor framework to the current MDGs. Individually, many Commonwealth and Francophonie countries are actively engaged and collectively the Commonwealth and Francophonie membership are promoting concerted and focused advocacy of the key principles, policies and specific elements which will be needed to achieve a robust, sustainable and effective post-2015 development framework. This work is proceeding on the basis of strong and detailed analytical work which has been both assessing past performance with the MDGs and exploring options for a new post-2015 development framework. These efforts have been guided at Ministerial level, for example by Commonwealth Ministers of Finance, Health, Education and Environment.

Both the Commonwealth and the Francophonie have a history of building consensus around challenging issues and are well-placed to provide important and substantive collective contemporary insights into the global discussion based on the extensive growth and development experience. And both are actively pursuing analysis, discussion and advocacy on the post-2015 development framework and these efforts are set to continue and intensify in 2013 and 2014. For example the post-2015 development framework will feature as a policy issue for discussion by Commonwealth Health, Woman's Affairs and Finance Ministers whose meetings precede the Commonwealth Heads of Government Meeting (CHOGM) in 2013.

As this paper illustrates, the interests of the Commonwealth and the Francophonie in articulating a robust globally agreed framework for international development goals is not new. At the same time, the G20, as the pre-eminent global decision making forum on global finance and with its profound interest in promoting effective development inter alia through the work of the G20 Development Working Group (DWG), can play a crucial role in providing a channel for the enhanced participation of developing countries in the development of the MDG successor framework; and is optimally placed to give momentum to the financing, institutional capacity and other decisions which will be necessary to operationalize and make effective the post-2015 development framework once it is agreed through the UN process.

In doing so, the G20 is working with the Commonwealth and Francophonie to understand and consider key development issues and perspectives, especially from the poorest, smallest and most vulnerable developing countries; and see how best these can be addressed within a G20 framework. This continued collaboration is based on the strong and constructive relationship between the Commonwealth Francophonie and the G20 that has been developed in recent years and which continues to strengthen and deepen, in line with the vision outlined inter alia by Commonwealth Heads of Government in 2009.

It is in this context that this paper has been prepared. The paper sets out important insights that have emerged from the Commonwealth and Francophonie with progress in the achievement of MDGs and perspectives on the post-2015 development framework. The paper focuses on perspectives that are of interest to the G20 given the forum's interest in securing balanced economic growth and its key role in the Global partnership for Development. Building on the collective Commonwealth and Francophonie experience it seeks to offer suggestions and insights to the G20 DWG in its own contribution to promoting a sustainable set of international development goals to succeed the MDGs.

The paper is structured as follows: **Section 1** briefy summarizes the United Nations process in developing a post-2015 Development Framework as well as with other international initiatives including the G20 approach to development. **Section 2** provides a high-level overview of progress particularly within the Commonwealth with a special focus on the achievement of the MDGs in small states. **Section 3** summarizes the strengths and weaknesses of the MDG framework. **Section 4** summarizes perspectives on the post-2015 development framework which have emerged through analysis and Ministerial discussion within the Commonwealth and Francophonie. These illustrate the importance attached to the MDG agenda and poverty reduction within the two associations but also point to a need to situate this within a sustainable development context; and a need to accord a higher priority in the new framework to enabling conditions such as infrastructure development, inclusive economic growth, improved governance and security and access to jobs. **Section 5** concludes with recommendations for consideration by the G20.

1. Recent International Developments and Initiatives

United Nations Post-2015 Development Process

1. Many international and regional initiatives are already underway both to consider and to craft a post-2015 development framework; and some early analysis is also emerging, regarding preferences for the content and orientation of the framework. This section of the paper briefly outlines the UN process and examines the broad direction of travel to provide information and context to the G20 – Commonwealth discussions.

2. The UN is leading the post-2015 process and has started work. The UN Secretary-General has established a UN System Task Team on the post-2015 development agenda to coordinate UN system- wide preparations. The work of the Task Team will also support the work of the High-level Panel of Eminent Persons on Post-2015 appointed to advise the UN Secretary-General. Prime Minister David Cameron of the United Kingdom, President Ellen Johnson Sirleaf of Liberia and President Susilo Bambang Yudhoyono of Indonesia are co-chairs of a 26-member Panel, made up of civil society, private sector and government leaders.

3. The high-level panel has met on three occasions[1] since its inception in July 2012 and is due to report to the UN Secretary-General in May 2013, leading to the UN MDG Summit in September 2013. It is understood that the high-level report is unlikely to contain recommendations on the framework design itself in terms of goals, targets and indicators but will focus instead on a broad vision and outline the possible contours of a post-2015 development agenda[2]. A review of the panels' communiques suggests a **broad consensus that the post-2015 agenda should retain its focus on poverty but with a shift in emphasis to poverty eradication rather than reduction, all set within a context of sustainable development.** There is **broad consensus that the "unfinished business" of the MDGs will need to be bought into the new framework** which will need to build on the foundation of the MDGs but which will need to be adapted to reflect the changed world in which we now live. **Improving governance as an important contributor and building resilience to sustain progress have also emerged as important issues to be addressed in the new framework.**

4. The UN has also held eleven thematic consultations[3] which have covered factual background and sought to extract insights which can reasonably be presented as common lessons in the UN but also include recommendations and suggestions going forward which may be able to be integrated into the new development framework. Of particular interest to the G20 – Commonwealth – Francophonie collaboration are suggestions highlighting

[1] New York, July 2012; London, November 2012; Monrovia, February 2013. The panel is due to meet in Bali in March 2013 and will hold its final meeting in New York in May 2013.

[2] A Conversation with Helen Clarke UNDP at ODI, February 2013.

[3] The UN has held thematic consultations on: Inequality; health; governance; education; food security and nutrition; conflict and fragility; energy; water; growth and employment; environmental sustainability; and population dynamics.

the particular value of global “enablers” concerning: global governance and accountability; growth and employment; and environmental sustainability. These themes are explored in section 4 of the paper.

United Nations Sustainable Development Goals Process

5. At Rio +20 in June 2012 it was agreed that a set of Sustainable Development Goals (SDGs) would be developed for consideration by the UN General Assembly in September 2013. A 30 member inter-governmental Open Working Group was established in January 2013 to report SDG proposals for consideration and appropriate action to the UN General Assembly in September 2013.

6. Whilst there is no agreement on the goals themselves the SDGs are likely to address economic, social and environmental dimensions of sustainable development as part of a broader holistic framework dealing with overarching issues such as poverty eradication, but with enhanced environmental considerations.

7. Rio+20 did not elaborate specifc goals but stated that the SDGs should be limited in number, aspirational and easy to communicate. **Sustainable development and poverty reduction are interconnected, which is recognised in the Rio+20coutcome document which specifies that the SDG process needs to be coordinated and coherent with the post-2015 process.**

G20 Development Agenda and the Commonwealth and the Francophonie

8. The G20 has a profound interest in development. The G20s approach to development has focused on: economic growth, global adjustment of imbalances and systemic risk management, the modeling of good practices and the provision of a coherent package of aid, trade, investment and fnance for development. Committed to narrowing the development gap the G20 established a Development Working Group (DWG) in 2010 with the objective of developing a dedicated, multi-year G20 focus and mechanism to address global development issues. A multi-year-action-plan (MYAP) based on nine-key pillars was developed and adopted by G20 Leaders at the Seoul Summit in November 2010. This has subsequently been termed the **Seoul Consensus on Development**.

9. Although the existing nine pillars still feature strongly in the G20 development agenda, year on year there has been an increased approach to streamlining the focus and placing **emphasis on infrastructure, food security, inclusive green growth, complemented with a new focus on accountability for development commitments made**. Most recently, the G20 made the decision at the Los Cabos Summit in 2012 to consider its future orientation to its development work in light of the current situation in the global economy and to take account of new development challenges.

10. As the pre-eminent international forum for global economic decision making the **G20 is a key stakeholder in ensuring the success of the Global Partnership for Development envisaged in MDGs**. The G20 has therefore an **important role in trying to build consensus and providing political impetus around issues which are important for the global economy which can facilitate economic growth to lift people and countries out of poverty**. It is crucial therefore that effective channels are developed and sustained to enable the G20 to better recognise and help address the challenges and perspectives of the world's poorest, smallest and most vulnerable members. In attempting to build consensus and momentum on key global economic issues which impact growth and development and hence the achievement of the MDGs it is particularly crucial that the views, perspectives and voice of the countries not within the G20 are effectively recognised and refected in G20 decision-making. The emergence of the DWG and its nine-pillar framework has offered an important opportunity for collaboration and outreach.

11. **The Commonwealth and Francophonie, representing over 100 developing countries is a key collaborative vehicle for outreach and inclusive consultation.** It is this motivation that has provided the impetus for the development of the G20-Commonwealth-Francophonie relationship which has grown into a strong and constructive relationship and one which continues to grow and deepen[4]. Since 2010, the regular G20-Commonwealth-Francophonie technical and political interaction has covered many development policy issues such as: trade; growth with resilience; fnancial inclusion; food security; green growth and innovative fnance. These contributions offer an important channel for practical action by the Commonwealth's and Francophonie's G20 and non-G20 membership, enabling a focus on key development priorities for the developing country members of the associations and through this process has helped identify and recommend a series of practical steps for global action.

12. Accordingly, important perspectives on the post-2015 development framework have emerged from an extensive Commonwealth and Francophonie programme of analysis and discussion which are of interest to the G20 DWG in considering its contribution to the global discourse on post-2015 and the G20s role in a post-2015 era. These insights have been selected for presentation to the DWG based on the G20s interest in securing balanced economic growth; providing a coherent package of aid, trade, investment and fnance for development; and its key role in the Global Partnership for Development. These perspectives are set out in section 4.

[4] The development of the Commonwealth and G20 relationship is described in the Annual Commonwealth Dialogue 2013 background paper titled "A Deepening Commonwealth Contribution to G20 Processes". The paper is available on the Commonwealth website.

2. Assessment of MDG Progress

13. Global progress in achieving the MDGs has been extensively assessed and documented by the UN. The UN produces an annual assessment of progress and has done so since 2005[5]. Consequently, global progress is only briefly considered here to provide context. Instead emphasis has been placed on progress within the developing countries of the Commonwealth and the Francophonie. The paper illustrates this experience by providing a detailed analysis of the progress made by all Commonwealth and joint-Commonwealth – Francophonie developing countries; and through a detailed examination of progress in Commonwealth and joint Commonwealth and Francophonie small states.

Global progress in achieving the MDGs[6]

14. **Although substantial progress towards achievement of the MDGs has been made by developing countries, many targets still remain off-track and some goals are unlikely to be met.** The 2012 UN MDG Progress Report states that **three important targets have been met ahead of the completion date for the MDGs such as the targets for poverty reduction; drinking water; and improving the lives of slum dwellers. Moreover, gender parity has been achieved in primary school enrolment**. The 2012 Progress Report also reports falling extreme poverty in every region; accelerating progress in reducing child and maternal mortality; significant progress towards universal primary education especially in sub-Saharan Africa; progress towards universal access to HIV treatment; a significant decline in global malaria deaths; and halting and beginning to reverse the spread of tuberculosis.

15. Nevertheless, **approximately one billion people will live in extreme poverty by 2015**. The majority will live in Sub-Saharan Africa a region with large numbers of Commonwealth and Francophonie developing countries, and in South Asia, a region with a majority Commonwealth developing countries. The two regions collectively also represent the largest shares of the total populations of Commonwealth and Francophonie citizens. **Considerable challenges also remain in meeting the targets on decreasing vulnerable employment, reducing maternal mortality, halving hunger and gender equality**.

16. Much of the substantial progress especially with respect to poverty reduction has been due to the fast and significant economic growth in China. A more nuanced assessment which takes this into account reveals a considerable variability in progress across and within countries and regions. Furthermore, progress has also slowed for some MDGs after the global economic crisis, with increasing inequality and fiscal constraints posing further challenges for achieving goals on poverty and health.

[5] Annual progress reports can be found on the UN website. See: http://www.un.org/millenniumgoals/reports.shtml

[6] MDG Progress Report, UN (2012)

Pan- Commonwealth Progress in achieving the MDGs

17. The Commonwealth Secretariat has undertaken two extensive pieces of analysis of MDG progress within the Commonwealth. The first was a pan-Commonwealth analysis undertaken for discussion by Commonwealth Senior Officials at Commonwealth Finance Ministers Meeting in Tokyo 2012[7]. The second comprises a comprehensive review of progress in Small States[8]. These assessments have been based on data available from the UN MDG database and the World Bank Global Development Finance database.

18. The pan-Commonwealth analysis reveals a similar pattern to that at the global level and reflects the differences in initial conditions among regions. Table 1 summarises the findings of the analysis. The analysis shows that on average **Commonwealth Developing Countries (CWDCs) are off track in meeting 63 per cent of the MDG targets. This percentage increases to almost 70 per cent for the Commonwealths Least Developed Countries (LDCs) and Sub-Saharan African members.** The best performing region amongst CWDCs is the Caribbean, where countries are, on average, on track to meet 63 per cent of the MDG targets.

19. Overall, CWDCs are most off-track in reducing hunger; generating decent and productive employment; reducing maternal and child mortality; and achieving gender parity in national parliaments. Best performing targets are achieving universal primary education; achieving gender parity in primary education; reducing the spread of HIV/Aids; improving access to drinking water; and dealing with the debt problems of developing countries. These trends however, mask considerable variability among Commonwealth regions and countries.

Progress in Achieving the MDGs in Commonwealth Small States

20. The analysis reveals that progress towards the achievement of the MDGs has been made by small states, although missing data preclude effective assessment of vital aspects, including poverty reduction, improvements in environmental quality and the control of disease. **The analysis shows that Commonwealth small states have achieved 19 per cent of the targets.** Overall the analysis shows that greatest progress has been made in achieving universal primary education; reducing child mortality; promoting gender equality and empowering woman; ensuring environmental sustainability; and accessing new technologies. Least progress has been made in the areas disease control; improving maternal health; and eradicating extreme poverty and hunger.

[7] See paper prepared for CFMM 2012 titled Progress on achieving the MDGs in the Commonwealth - FMM(12)(O)3. This paper is available on the Commonwealth G20 website.

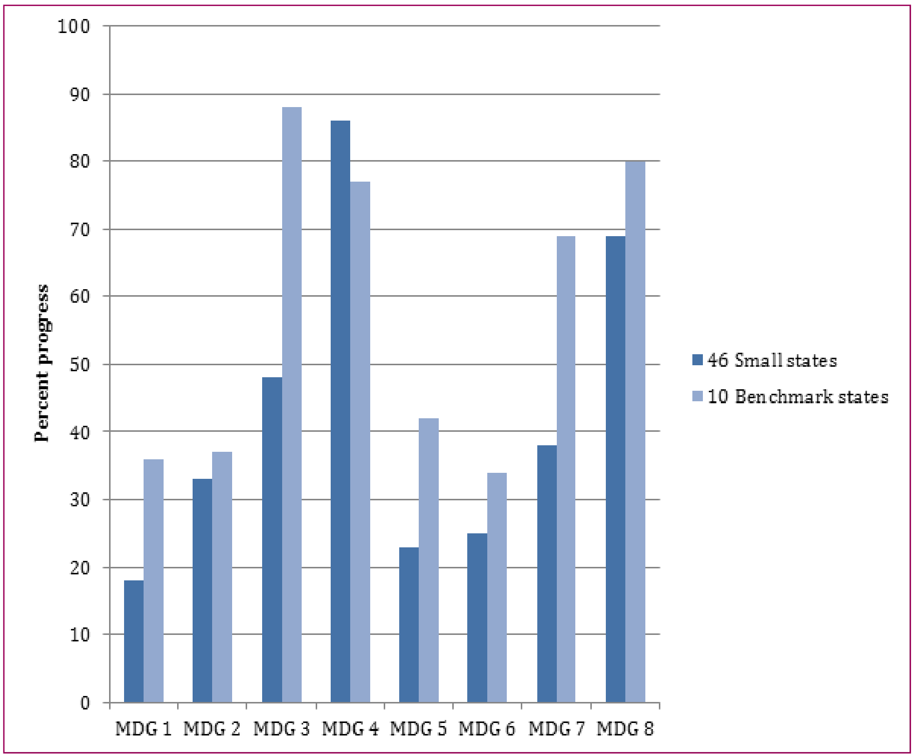
[8] The Big Divide: A Ten Year Report of Small Island Developing States and the Millennium Development Goals, Commonwealth Secretariat 2012.This paper is available on the Commonwealth G20 website.

21. There are six major ﬁndings from recent Commonwealth research which warrant emphasis and which represent key ﬁndings and lessons for integration into global decisions on the post-2015 development framework from the perspective of small states.

22. First, despite the progress that has been made in small states it appears that **small states and especially micro-states have made less progress with MDGs than large states.** Figure 1 illustrates that this appears to be the case on all of the eight MDGs except on MDG 4 (child health). The biggest gaps in comparative performance relate to MDG 3 (gender equality) and MDG 7 (sustainable environment). Some MDG's such as MDG 1 (poverty reduction) remain worryingly stubborn. Undernourishment is a prevalent feature of life in many small states and resolving it remains a persistent problem. For example, forty-nine per cent of small states have not reduced the percentage of the population that is undernourished since 1990 (MDG 1).

23. Second, despite the many common factors of economic and environmental vulnerability in small states, the research reveals **considerable variability in progress across the MDGs among Commonwealth Small States**, reinforcing the ﬁndings of the analysis at the global level. The analysis shows that within the 68 million people who live in small states there is for many a life of unacceptable social and economic inequity, differential risk of survival and increasingly depleted environmental resources.

Figure 1: Progress by MDG



Source: The Big Divide: A Ten Year Report of Small Island Developing States and the Millennium Development Goals, Commonwealth Secretariat 2012.

24. Third, **small states have had greater difficulties in data collection and reporting** on the large array of over 50 indicators across the 8 MDG goals and clearly need more support in collecting data and monitoring progress. Highlighting the extent of the problem in small states the review shows that 26 out of 46 small states had 50 per cent or more of the required data items missing.

25. Fourth, the use of an economic perspective, which the MDG system lacks, provides a fresh illumination on priorities, giving greater emphasis to deploying resources not merely to meet arithmetically-calculated targets, but to make best use of investment in the pursuit of inter-state equity and global sustainable development.

26. Fifth, the analysis reveals that further progress is likely to be constrained by uneven levels of resources, technical capacities, already low economic and social development, population size and the vulnerability of many to exogenous environmental and economic events.

27. Finally, there are certain aspects of the MDG system which are not well attuned to the interests of small states. These mainly pertain to design concerns related to setting global targets which do not take into account initial conditions and heterogeneity in national circumstances. These concerns include inter alia: the need to consider proximity to target and indicators; and targets expressed as a percentage of the population as variations in population size among small states can obscure the overall scale of need across states.

"Unfinished Business"

28. Progress towards the achievement of the MDGs has been extensively discussed within both the Commonwealth and the Francophonie and as highlighted in the above analysis many Commonwealth developing countries are off target in terms of meeting the MDGs. These discussions and analysis have **underscored the need to focus on the "unfinished business" of MDG achievement** and focus attention on addressing the attainment deficit, especially in the smallest, poorest and most vulnerable countries in the Commonwealth and the Francophonie. Indeed, there should be emphasis on the acceleration of efforts to accelerate progress towards the MDGs in the period to 2015 and the post-2015 discussions should not serve to divert attention and efforts away from the MDG agenda.

29. Within the developing countries of the Commonwealth and the Francophonie, it is generally recognized that the post-2015 era will inherit this achievement deficit and the new framework will need to address the unfinished business of the MDGs. It is also recognised that significant investment has been made in the MDG framework and that in many countries it is firmly embedded. Care will therefore need to be taken to ensure the effective continuity from the current MDGs to the successor goals, particularly for countries which have been progressing well with the MDG framework. These countries will need continuity and the ability to sustain their ongoing efforts, even as a new framework comes into being. In this regard the importance of integrating the successor goals with existing national planning

and national budgeting frameworks to ensure that the new goals are consistent with national objectives and capacities has been emphasized throughout Ministerial discussions in the Commonwealth and the Francophonie.

3. MDG Framework: stengths and weaknesses

30. Whilst there is international support to pursue the Millennium Declaration[9] as a basis to drive the post-2015 agenda, there is also the view that the post-2015 development framework should harness the strengths of the MDG framework and also should learn from its limitations. A brief summary of these strengths and weaknesses follows[10].

MDG Framework Strengths

31. There is a widely held view that in the past decade signifcant progress has been made in securing global development outcomes, although it is recognized that this has been highly variable across goals, countries and regions (UN, 2012B). The MDGs have played an important part in securing this outcome and have demonstrated the power of global goals and a shared purpose. In focusing global attention on poverty eradication, the MDG framework has helped catalyse political momentum for development, successfully channelling political commitment and investment; and has served to focus global policy debate and national policy planning. It is also widely recognized that the catalytic power of the MDG framework lies with its limited number of easy-to-communicate, quantifable and time-bound goals and targets, which have helped promote global awareness; political accountability, improved metrics, social feedback and public pressure. As a result of this relative simplicity the MDGs have also demonstrated a notable longevity. Ten years on, the MDGs are still on the global agenda, are actively pursued by governments and continue to form a substantial part of the development dialogue.

MDG Framework Weaknesses

32. Recent Ministerial discussion in the Commonwealth has highlighted the catalytic power of the MDG framework and there is broad consensus that the framework has been valuable and has played an important role in securing the signifcant progress that has been made in global development outcomes. The MDGs have demonstrated the power of global goals and a shared purpose. In focusing global attention on poverty reduction, the MDG framework has helped catalyse political momentum for development, successfully channelling political commitment and investment; and has served to focus global policy debate and national policy planning.

[9] 1) Peace, security and disarmament; 2) development and poverty eradication; 3) protecting our common environment; 4) human rights, democracy and good governance; 5) protecting the vulnerable; 6) meeting the special needs of Africa; and 7) strengthening the United Nations (General Assembly resolution 55/2, op.cit., paras. 1 -6).

[10] A more detailed review of the strengths and weaknesses of the MDG framework can be found in Appendix II of the UN report Realizing the Future We Want for All, (UN 2012B).

33. There is also broad agreement both in the Commonwealth and the Francophonie that the post-2015 development framework should build on the strengths and address the weaknesses of the MDGs. The main strength of the MDG framework is rooted in the clarity, conciseness and time bound measurability of concrete goals, targets and indicators contained within the framework. Most but not all of the MDGs have concerned uncontroversial goods whose benefits cannot be argued. Yet one of the goals which has been less successful is the global partnership goal (MDG 8) because it was incomplete in its formulation and has lacked these characteristics. Ministerial discussions have pointed to a broad agreement that a post-2015 framework should retain the characteristics of clarity, consensus and time bound measurability. Discussions have also emphasised the need to be flexible, as there is no one size fits all solution and goals need both to be tailored at regional and national level and better aligned with key national development priorities.

34. Despite the catalytic power of the MDGs, the framework has not been without criticism. Ironically some of the strengths of the MDGs have also been perceived as weaknesses and so illustrate the trade-offs involved in designing a simple catalytic framework. Firstly, there is a concern that the MDGs represent a reductionist view of development with an overriding focus on social and human development which neglects economic aspects of growth and development and thus inadequately addresses the complexity of development. Secondly, the MDGs do not address a number of key objectives contained in the Millennium Declaration such as: human rights, democracy and good governance; peace, security and disarmament; and protecting the vulnerable. Thirdly, the MDGs suffer from a number of design concerns including setting global targets which do not take into account initial conditions and heterogeneity in national circumstances. For example; in Africa this has led to the perception of failure despite the fact that considerable progress has been made (UN 2012C). Fourthly, the MDGs have been criticized for focusing on outcomes rather than a means of achievement. Finally, although the MDG framework has strengthened the global partnership for development (MDG-8), there is concern that the global partnership was incomplete in its formulation as demonstrated by the fewer and less binding numerical targets and indicators.

Table 1: MDG Progress in the Commonwealth[11]

			Commonwealth developing country regions				All Commonwealth		
Goals and targets		Developing countries (all)	East Asia & Pacific	Lat Am & Carib	South Asia	Sub-Saharan Africa	CSVEs	Least developed Countries	Developed countries (OECD
Goal 1: Eradicate extreme poverty and hunger									
Reduce extreme poverty by half	Population below $1/day (PPP) % change 1990-2010	-23			-44	-11		-14	
Productive and decent employment	% of employed people living below $1 (PPP) per day	34	20		29	41	20	47	
Reduce hunger by half	Population under-nourished % change 1990-2010	-18	-43	-17		-13	-11	-14	
Goal 2: Achieve universal primary education									
Universal primary education	Total net enrolment ratio in primary education %	89	98	92	90	86	91	89	99
Goal 3: Promote gender equality and empower women									
Promote gender equality	Gender Parity Index in primary level enrolment	0.97	0.98	0.97	0.94	0.97	0.98	0.99	1.00
	% of women in wage employment in non-agricultural sector	36	39	42	22	37	43		49
	% Seats held by women in national parliament	16	5	14	12	21	13	22	25
Goal 4: Reduce child mortality									
Reduce child mortality by two-thirds	Under 5 mortality rate per 1,000 live births (% change 1990-2010)	-39	-44	-44	-55	-31	-38	-43	-40

11 Data from UN MDG database and World Bank Global Development Finance. Assessment based on Commonwealth Secretariat staff calculations. Appendix 2 outlines the methodology used to calculate progress on MDG targets. For static indicators this is based on the most recent year for which data is available. For dynamic indicators this is based on data from 1990 to the most recent year that data is available.

4. Emerging Priorities

35. This section outlines key insights and perspectives which are deemed are interest to the G20 given its focus on securing global economic growth and its key role in the global partnership for development. The section starts with a brief overview of the interest of Commonwealth and Francophonie developing countries in the MDGs and post-2015 development framework, before summarising the key insights and perspectives for consideration by the G20 DWG.

36. Both associations have a history of building consensus around challenging issues and are well-placed to provide important and substantive collective contemporary insights into the international discussion based on their extensive growth and development experience. . Two particular strengths point to the opportunity for the Commonwealth and Francophonie to take a strong and significant role in contributing both to the evolving global post-2015 discourse and in securing an effective outcome to this debate. These comprise the profound interest demonstrated by members in the MDG framework since its inception; and the unique capacities of the two associations to influence the direction and content of discussion.

Interest in the MDGs and Post-2015

37. Both associations have had a long-standing and extensive interest in the MDGs and their achievement. For example, within the Commonwealth the MDG process and the formulation of the framework was led by a strong core group of donor countries (including the UK who played a significant role and was supported technically by international institutions (ODI 2012) including the OECD DAC whose Commonwealth member countries include Australia, Canada, New Zealand and UK. Commonwealth DAC donors have subsequently made significant funding commitments at Monterrey in 2002 and

2.362 on sues ab2 0 catalysaengthpoli eyl laiculaey dengths po UK. Commonwealth DAC donors 904800 and encourage change where all parties have an interest in the success of the change. Both the Commonwealth and the Francophonie are voluntary associations of sovereign nations that closely support each other. Poverty reduction as well as sustainable growth and development are central pillars of their work, pillars which that bind all members; and both have opportunities to influence global discussions on the post 2015 development framework. For example the Commonwealth is well-placed to facilitate discussion and ensure that developing countries are actively supported to participate in these important discussions and negotiations. The association can leverage its trusted ready-made platforms to connect the technical and the political aspects of a profoundly inter-connected debate. In this particular discourse, the Commonwealth and the Francophonie can also collectively and valuably serve as an important bridge between some of the world's poorest and richest countries, and between the smallest and the most populous. This is of particular importance given the growing importance of South-South and triangular cooperation in promoting more effective development outcomes. There is thus a vested interest in addressing the MDG progress deficit and in actively participating in the formulation of the post-2015 development agenda.

Discussions Underway

39. Over a period of several years, both Commonwealth and Francophonie Ministers have successively recognized this valuable Commonwealth role and contribution. Accordingly, the MDGs and related policy issues have effectively featured as perennial Ministerial agenda items since 2002. For example, in 2002 a Commonwealth Action Plan was agreed to deliver the Monterrey Consensus and was reviewed and reported on in 2005; progress towards the MDGs has been reviewed and discussed regularly in 2003, 2004, 2005, 2009 and 2012; and related aid and development effectiveness issues have been discussed in 2007, 2009, 2010 and 2011.

40. A detailed Discussion on the post-2015 development framework is also well underway in the Commonwealth. For example, Senior Commonwealth Finance Officials met in Tokyo in October 2012 at Commonwealth Finance Ministers Meeting to discuss progress with the achievement of the MDGs in the Commonwealth and the post-2015 development agenda[12]. The discussions illustrated the importance attached to the MDG agenda and poverty reduction but also pointed to a need to accord a higher priority in the new framework to enabling conditions such as infrastructure development, inclusive economic growth, improved governance and security and access to jobs.

41. In addition, Commonwealth Environment Ministers and senior officials met more recently in Kenya in February 2013 at the 19th Session of the Commonwealth Consultative Group on Environment (CCGE). At the meeting Ministers exchanged perspectives and experiences in

[12] See CFMM background papers available on the Commonwealth CFMM website titled: FMM (12)(O)2 Post-2015 Development Framework – Towards a Commonwealth Agenda; and FMMM (12)(O)3 Progress on Achieving the MDGs in the Commonwealth.

approaches to monitoring and reporting on progress on ensuring environmental sustainability (MDG 7) and sustainable energy and extracted lessons learned from the MDGs which may be taken forward into the post-2015 development and SDG processes.

42. Commonwealth Education Ministers have also met and discussed education and the post-2015 development framework. A Commonwealth Ministerial Working Group on Education was established in 2012 and the Commonwealth perspective on Education in the post-2015 development framework was presented to the UK Prime Minister in December 2012 after the meeting of the UN high-level panel in London. The dissemination of this position is on-going through the regional and country level consultations on the Post-2015 framework.

43. Furthermore, a number of Ministerial meetings which will be held in 2013 which will feature discussion on various aspects of the post-2015 development agenda. For example, health priorities will be discussed by Commonwealth Health Ministers Meeting in May 2013; gender issues will be discussed by Commonwealth Woman's Affairs Ministers in June 2013; and finance and global partnership issues will be discussed by Finance Ministers in October 2013. It is expected that the collective outcome of these discussions on the post-2015 development framework will be provided to Commonwealth Heads of Government when they meet in November 2013.

Key Insights for the G20

44. Emerging from these detailed discussions, research and analysis are several substantive collective contemporary insights. These are based on the extensive growth and development experiences within the two associations. While there are a very wide range of factors, in the context of the acute economic, social and developmental challenges confronting these countries, particularly the poorest, smallest and most vulnerable members, at least **seven key insights** are notable which are of interest to the G20. These comprise:

(a): The need for a special consideration of Development Enablers

45. There has been much emphasis placed on what could be termed the "enablers" of development which need to be in place to secure development and poverty reduction. Detailed analysis assessment demonstrates that efforts to achieve the current MDGs have been constrained by a lack of or absence of several enabling factors. The main factors that have emerged as key priority issues inter alia include: a lack of adequate resources; a lack of inclusive growth; inadequate infrastructure; capacity deficits; and poor governance. There is a broad recognition in Commonwealth and Francophonie developing countries that these enabling issues need to be addressed as key priority issues in a post-2015 development framework.

46. **Lack of infrastructure has been identified as a key barrier to MDG achievement** especially within the energy, transportation and the communications sector. This is critical

as a large proportion of those living in poverty live in rural areas and do not have access to energy, transportation and communication services. Adequate economic, social and environmental infrastructure is essential to achieve sustainable development, and a lack of such infrastructure acts as a constraint on growth and development, inhibiting the ability of the poor to escape and grow their way out of poverty. The MDGs do not have any energy, transport and communications targets; and this is a notable concern which has emerged, especially from Commonwealth and Francophonie members in sub-Saharan Africa.

47. A similar concern for these countries, especially those who are dependent on the export of primary commodities and or capital-intensive extractive industries is the **lack of structural transformation**. Here there is a view that the MDG framework has a disproportionate focus on social development at the expense of the productive sectors and that the MDG framework has failed to create economic transformation. Accordingly, **more emphasis needs to be placed on economic transformation in post-2015 framework**.

48. Many Commonwealth Francophonie developing countries, especially the poorest, smallest and most vulnerable hold the view that there is an **urgent need to secure inclusive growth** and that the MDG framework does not adequately address this. There is a need therefore for the post-2015 framework to address the economic growth aspects of development in order to improve living standards including the creation of decent jobs. This is a strong perspective emerging from the developing countries particularly in Asia and Africa, where there is a crucial need to translate growth more effectively into job creation given their rapid population growth.

49. A key issue to be addressed here is trade. **Trade can serve as an engine of growth, development and job creation**. Whilst some members of the two associations have managed to successfully participate in the liberalised multilateral trading system to generate growth, employment and poverty reduction, many have not and have in fact become increasingly marginalised. This is particularly the case for the smallest, poorest and most vulnerable members, who lack productive and export capacity to take advantage of open global markets and ensure that globalization is a positive force.

50. In this regard there is little doubt that **a successful conclusion of the WTO Doha Development Round of multilateral trade negotiations would yield important development results for developing countries**. Accordingly, both associations have long expressed their concern with the impasse in negotiations. For example, as recently as 2011 Commonwealth Heads of Government called upon WTO members to make substantive progress for an early conclusion of the Round and to consider innovative approaches to drive forward trade liberalisation and to strengthen the multilateral rules-based trading system.

51. Finally, there is wide spread recognition of the **crucial role of good governance, security and the rule of law in securing growth and development**. There is a broad view that the post-2015 discussions should consider these issues and that these discussions should be

complemented by discussions on global governance. For example, Commonwealth Finance Ministers and Heads of Government have long been concerned that the current architecture of international institutions no longer responds adequately to the challenges of the 21st Century. In the 2008 Marlborough House Statement on Reform of International Institutions, Heads of Government noted:

"…fundamental weaknesses of a number of today's international organisations that are charged with promoting economic stability and sustainable development. Such institutions do not have adequate capacity, governance structures, or in-built responsiveness either to anticipate or to address global needs in a timely fashion. In some cases, such as energy and the environment, there is an absence of institutions with the mandate to deal globally with these issues of global public policy."

52. **An increasingly interdependent world, experiencing very significant changes in economic and political power demands a new approach to global governance, both economic and environmental, that can resolve collective action problems, which is more inclusive, more representative and more effective.** This is increasingly necessary for achieving sustainable development. The post-2015 development discussions provide a timely opportunity to reconsider a more systematic global initiative to reform global governance. This represented a widely discussed set of policy issues in the immediate aftermath of the financial and economic crisis in 2008 but which has since dissipated.

(b): A need to fill the financing gap

53. **New and additional resources are needed if the financing needs of developing countries are to be met.** The establishment of the MDGs has spurred concerted international efforts to mobilise financial resources for their attainment but there is a shortfall in MDG funding and the delivery of ODA has fallen short of the Gleneagles targets set for 2012. A recent estimate by the OECD (2012) shows that achieving the first 6 MDGs globally will require an additional $120 billion to be spent every year on health, education, and poverty reduction. This represents a doubling of OECD DAC ODA and clearly presents a challenge given the current fiscal situation of OECD countries and in light of OECD donors' forward spending plans during the period 2012 -2015. Preliminary findings from the OECD suggest that from 2013, global country programmable aid is expected to stagnate, (2012B).

54. A strong view articulated by developing countries of both associations and most recently expressed by Commonwealth Senior Officials is the **need for the international community to meet existing finance commitments**. This is deemed important not only to help countries accelerate progress but is also important in terms of trust and accountability in the global partnership. ODA totaled $133.5 billion in 2011. To meet the UN target of 0.7% of GNI, total ODA would have to more than double to approximately $300 billion, (UN 2012). It

the period to 2015 it is desirable that the international community accelerates efforts to meet the UN target.

55. The global crisis, prolonged uncertainty regarding the recovery and mixed success in recovery, and major fiscal challenges in many of the countries which have been traditional sources, or catalysts of finance for development, have all increased the difficulties Commonwealth and Francophonie developing country members face in accessing financing for development. This at a time when their challenges in achieving sustainable development are growing, not receding; and when the scale of required financing is growing rapidly.

56. Commonwealth and Francophonie developing countries also note that **even if existing commitments are met by the international community, new and additional resources will be needed to achieve all the MDG goals and to address several major new global development challenges** that have emerged in recent years. Each of these requires extraordinarily large additional magnitudes of development finance. These include the financing of low-carbon growth through climate change adaptation and mitigation and the challenge of strengthening infrastructure for development. These have become particularly important development priorities in recent years. Each has added further new demands to the multiple challenges confronting developing countries, including the poorest, smallest and most vulnerable developing countries members; and each has added to the estimated overall costs of financing development.

57. In meeting the financing challenge there is recognition of the **need for a greater emphasis on promoting domestic policies and domestic resource mobilisation to promote development and a more concerted effort to identify and leverage innovative finance at the national but also the regional and international level**. Although relatively small amounts of additional innovative finance has been mobilized and disbursed, there are a number of proposals in the international arena which have the potential to significantly fill the development financing gap should there be the political will.

(c): A need to strengthen the Global Partnership for Development (MDG 8)

58. MDG-8 is broader than just finance alone. It was conceived to create a national and **global environment which is conducive to development**. It has taken shape to include targets and indicators on aid, trade, debt and increased access to essential drugs and new technologies. Implicit within MDG-8 is the recognition of the importance of policy coherence for development. It also recognizes the **special needs of Less Developed Countries (LDCs), Landlocked Developing Countries (LLDCs) and Small Island Developing States (SIDs).**

59. Although the MDG framework has strengthened the global partnership for development, **concern has been expressed, by several Commonwealth and Francophonie developing countries with the incomplete formulation of the goal and with the progress against it.** In terms of formulation, concern centers on the fewer and less binding targets and indicators for

donor countries. In terms of progress, concern centers on the fndings of the 2012 UN MDG Gap Task Force which had diffculty identifying areas of signifcant new progress towards delivering on commitments to the Global Partnership for Development, and for the frst time showed signs of backsliding. For example the volume of offcial development assistance (ODA) fell for the frst time in many years; obstacles to exports from developing countries are on the rise; and numerous developing countries are facing debt diffculties including many Commonwealth Small Vulnerable Economies. With less than three years until 2015, there is no apparent commitment by donor Governments to reverse the trend in time, and it is likely that fewer MDGs will be reached in fewer countries as a result.

60. Accordingly, a strong view has been expressed for the **need in the post-2015 Development Framework for a more clearly defined and structured MDG-8 type goal with clear, simple and time bound measureable goals, targets and indicators**. However, it is also recognised that this will not be a straight forward task as the development landscape has become even more complex and global interdependencies have increased since the MDG were developed. **The new global partnership will need to take account of shifting global wealth and influence; and at the same time will need to address the challenge of accountability**. A new multi-polar world now depends for its sustained growth and trade and investment fows as much on emerging and developing economies as on advanced economies. Growth in emerging and developing economies is likely to become a key driver of global growth. At the same time many countries inter alia including China, Brazil, India, South Africa and others are becoming prominent development actors supplying development fnance, technology, and expertise and market linkages to other developing as well as developed countries, in mutually benefcial networks. The new global partnership will need to include new actors and recognize differentiated roles and responsibilities within the new global partnership.

(d): An urgent need to tackle climate change and other environmental challenges

61. The world is facing broader and ever more 000pareal challenwite rievelopier environmenple or optires av

MDG framework and that there needs to be a better integration of these in the post-2015 framework.

63. Secondly, whilst **environmental sustainability is a goal in itself, it and other development goals are interdependent**

68. Many Commonwealth countries have identifed that a key challenge in assembling the post-2015 framework will be to balance socio-economic needs with the environment and natural resources. In balancing the three dimensions the framework will need to recognise the important linkages among them. There is concern that this task is complicated somewhat as the international architecture to address these interconnected challenges is currently fragmented. **Sustainable development and poverty reduction are interconnected and will need to be tackled together, with a renewed global partnership requiring significant reform to global governance and the international development architecture.**

69. For this reason many Commonwealth and Francophonie developing countries have urged that these agendas and their attendant processes should converge into one coherent post-2015 framework with sustainable development at its centre. At the same time, however, it is important to note that some among these LICs and Middle Income Countries (MICs) are hesitant about the SDG agenda, concerned that the current frameworks' focus on poverty focus may be lost. **One coalescing idea emerging from these discussions is that of the 'Green Economy' which has the potential to act as bridge.**

(f): Increased Uncertainty and Volatility:

70. In the period since the establishment of the MDGs, developing countries have been increasingly exposed to uncertainty and volatility. Instability has accompanied their efforts to integrate with the global economy. For many, particularly small Commonwealth and Francophonie members .climate change has made natural disasters more likely, frequent and deep. Globally, shocks have become increasingly systemic, transcending economic, geographic and political frontiers. In an increasingly interdependent world these shocks and the uncertainties that underlie them have become quickly amplifed and have proved particularly destructive to the development strategies of many of the poorest and most vulnerable countries. The global economic downturn in 2007-2009 pushed many Commonwealth and Francophonie citizens into poverty. In a post-2015 development environment, for all countries building resilience and dealing with the discomfort of uncertainty will be a key and abiding issue and more emphasis will need to be placed in a post-2015 framework on dealing with shocks both economic and environmental, to enable these countries to achieve more steady and sustainable development.

(g): The need for special treatment of Small States

71. In small states the absence of economies of scale and limited capacity for specialisation inhibit economic, social and environmental progress and make regional and global partnerships essential components in small states development policy and programmes. MDG 8 recognises this and seeks to promote support from developed countries through aid, trade and debt relief to small states. However, there is concern in these countries that the current MDG framework has not adequately addressed the special development challenge

of small states. Small states possess a unique set of structural characteristics which pose a special development challenge and combine to make them amongst the most vulnerable to exogenous shocks in the world. This is partly why small states efforts to integrate with the global economy have not been as envisioned, but instead have been accompanied with greater instability and marginalisation in the global economy. At the same time climate change has represented a significant and disproportionately large threat, making natural disasters more likely, frequent and deep, thus negatively affecting growth and reversing hard-earned development gains in small states.

72. There is wide and growing recognition within the Commonwealth that there should be a special consideration of small states, especially Small Island Developing States (SIDs) and their needs in the post-2015 framework. In light of their inherent structural vulnerabilities and lack of resilience there is a need for range of indicators relevant to small states and especially SIDS which are vital for future sustainable development, many of which are key themes in the 2005 UN Mauritius strategy for SIDS, which have not yet been incorporated in the MDGs. There is also a need for consideration of special international treatment of small states in terms of access to finance, debt relief and trade.

73. For example; one of the targets of MDG 8 is to deal comprehensively with developing countries' debt but the indicators only focus on HIPC and MDRI countries. The Commonwealth comprises some of the most indebted and vulnerable countries in the world who are mainly small vulnerable middle income countries who did benefit from HIPC and MDRI. This together with an inherent vulnerability to exogenous shocks, such as that observed throughout the global financial crisis, as well as the existential threat posed by climate change effects renders their situation exceptionally difficult and warrants urgent international action. Their high debt burden is of great concern within the Commonwealth as it is hampering growth prospects in these states; is exacerbating their vulnerability to economic shocks and as a result is threatening the achievement of the MDGs.

5. What Can the G20 Do?

74. Concerned with the lag in achieving the MDGs the G20 has adopted a narrative of economic growth as a prerequisite for development and poverty reduction; and as the pre-eminent international forum for global economic decision making the G20 is also a key stakeholder in the Global Partnership for Development. The G20 has therefore an important role in trying to build consensus and providing political impetus around issues which are important for the global economy which can facilitate economic growth to lift people and countries out of poverty. Suggestions and recommendations for consideration by the G20 DWG have been made in this context. These focus on the role of the G20 as a key actor in the Global Partnership for Development and in the provision of “global enablers”.

1. The Need for a Special Consideration of Development Enablers

75. The G20 objective of achieving steady and balanced growth globally cannot be reached without assisting developing countries in strengthening their own capacities for growth and establishing a sound foundation to make such growth sustainable. As has been highlighted in this paper there is a strong view that progress with the achievement of MDGs has been constrained by a lack of or absence of several enabling factors which include lack of infrastructure, lack of inclusive growth, institutional capacity defcits and poor governance. These key priorities are also the focus of the G20 in its pursuit of balanced and sustained global growth and which need to be addressed as key priority issues in a post-2015 development framework.

76. The G20 in contributing to the global discussions on the post-2105 framework can press for the inclusion of key global development enablers, within the framework; and can propose specifc goals, targets and indicators on infrastructure and on inclusive growth based on the work of the DWG, including insights from DWG outreach.

2. The Need to Fill the Financing Gap

77. The paper has highlighted that new and additional resources are needed if the fnancing needs of developing countries are to be met. As a frst step to addressing the fnancing gap the G20 can promote a methodological and continuous process to better understand the fnancing gaps and to develop a common computation of the development fnancing gap. This will allow for more effective planning and better and more robust calibration of the post-2015 framework in which the goals will be achieved.

78. The paper has identifed the need for the international community to meet existing fnance commitments and the G20 can encourage its members to accelerate efforts to meet the existing UN target in the run-up to 2015. This will help accelerate global efforts to meet the MDGs in period to 2015 but will help build trust and mutual accountability in the global partnership for development.

79. Recognising that even if global commitments are met there will be a shortfall in development financing there is an urgent need to explore and develop new innovative mechanisms to raise additional finance to secure balanced global economic growth and meet critical development challenges such as climate change mitigation and adaption; as well as meeting the Millennium Development Goals (MDGs).

80. The G20 can foster a concerted international discourse on innovative finance mechanisms. Consistent with Commonwealth and Francophonie developing country suggestions to the G20 in 2010 on Innovative Finance for Development (IFD) this discourse could focus on: seeking agreement that sources of sources of innovative finance should be primarily used for development and climate change; restating the need for an agreement on a core set of principles which should underpin innovative finance for development; discussion and agreement to pursue specific public sources of IFD by identifying a menu of priority IFD options for G20 focus in the period to 2015 when the current MDG process ends; calling on members and non-members, as well as all development partners to accelerate efforts to implement these and establishing a mechanism to monitor progress in scaling up aggregate IFD and its implementation.

3. A Renewed Global Partnership for Development

81. The intention behind the Global Partnership for Development as conceived by MDG 8 was to create a national and global environment which is conducive to development. The G20 has emerged as the pre-eminent global economic decision making forum and thus has a key role in contributing to a conducive global economic environment which facilitates growth and development. The G20 has an important role to play in ensuring policy coherence for development and ensuring that integrated policy agendas are developed and better included and addressed in a future framework. This role has become ever more important in a new multi-polar world that now depends for its sustained growth and trade and investment flows as much on emerging and developing economies as on advanced economies. The G20 is uniquely placed to bring emerging new participants into the global partnership. The post-2015 discussions and framework could be an opportunity to help develop an integrated and comprehensive approach to development financing, building on the Monterrey Consensus as well as making real progress on interrelated policy areas such as trade, climate change and the environment.

82. A specific element of the Global partnership envisaged by MDGs, in which the G20 could take specific steps comprises trade. In supporting the G20s drive for steady and balanced economic growth the paper has highlighted that a successful conclusion of the WTO Doha Development Round of multilateral trade negotiations would yield important development results for developing countries and would represent a significant step forward for the global partnership for development. The G20 could take steps to secure the successful conclusion of

the Round at the WTO Ministerial meeting in Bali in December 2013 by urging members to agree a package of trade measures which improve access of the world's poorest, smallest and most vulnerable developing countries to global trade markets; enhances the range of products eligible for duty-free-quota-free access by these countries; recognise and responses to the challenges of small and vulnerable economies by developing a coherent international trade regime for the poorest, smallest and most vulnerable members13.

4. Strengthen the International Financial Architecture to help countries better manage increased volatility and exogenous shocks

83. Commonwealth and Francophonie countries have shown that more emphasis will need to be placed in a post-2015 framework on dealing with shocks both economic and environmental, to enable developing countries to achieve more steady and sustainable development. The poorest, smallest and most vulnerable members have emphasised their inherent structural vulnerability to exogenous shocks and consider that there is a need to establish a permanent automatic compensatory shock facility with low or no conditionality, that disburses quickly and that has a high level of concessionality. The lack of such a facility particularly disadvantages our poorest, smallest and most vulnerable members for whom external shocks are disproportionately damaging and frequent. The current system risks countries encountering unnecessarily high levels of adjustment in response to external shocks, with strongly adverse development implications.

84. The G20 can agree to establish a task-force to report back to the first meeting of the Development Working Group in 2014 on establishing automatic shock facilities to address the vulnerability of the poorest, smallest and most vulnerable countries.

5. Reform of Global governance

85. An increasingly interdependent world, experiencing very significant changes in economic and political power demands a new approach to global governance both economic and environmental that can deal with collective action problems, which is more inclusive, more representative and more effective. Many of the consequences of the absence of a more cohesive framework for global governance in development are self-evident. What is not clear is how to begin a process towards this goal; and what could be the most effective pathway to such an objective. The G20 can consider a process of internal collective G20 consideration of this challenge; and can also convene a meeting with a cross-section of developing countries and a multi-stakeholder grouping to consider options to catalyse such a process and to examine pathways to achieving this.

13 A detailed set of proposals is provided in "Multilateral Trade Issues for the Poorest, Smallest and most vulnerable economies: Perspectives from the Commonwealth and Francophonie: Proposal for the G20; Commonwealth Secretariat", April 2013"

6. A Special Consideration of the Needs for Small States

86. The G20 can acknowledge the unique set of structural characteristics which pose a special development challenge for small states especially small island developing states and be cognisant of the impact of global policy on small states. The G20 can agree to establish a task-force to report back to the first meeting of the development working group in 2014 on the special case of small states assessing the need for and outlining the special treatment that small states, should receive in the international financial, trade and development architecture.

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COMMONWEALTH SECRETARIAT

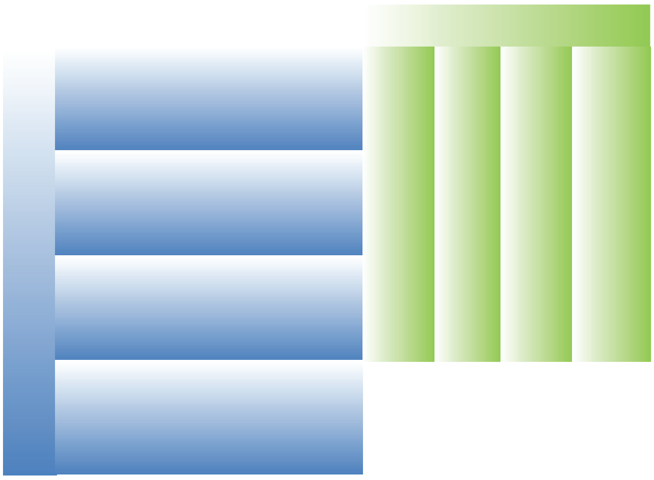
ORGANISATION INTERNATIONALE DE
la francophonie

Emerging Perspectives

MDG Progress and Unfinished Business

		Commonwealth developing country regions					All Commonwealth		
Goals and targets		Developing countries (all)	East Asia & Pacific	Lat Am & Carib	South Asia	Sub-Saharan Africa	CSVEs	Least developed Countries	Developed countries (OECD)
Goal 1: Eradicate extreme poverty and hunger									
Reduce extreme poverty by half	Population below $1/day (PPP) % change 1990-2010	-23			-44	-11		-14	
Productive and decent employment	% of employed people living below $1 (PPP) per day	34	20		29	41	20	47	
Reduce hunger by half	Population under-nourished % change 1990-2010	-18	-43	-17		-13	-11	-14	
Goal 2: Achieve universal primary education									
Universal primary education	Total net enrolment ratio in primary education %	89	98	92	90	86	91	89	99
Goal 3: Promote gender equality and empower women									
Promote gender equality	Gender Parity Index in primary level enrolment	0.97	0.98	0.97	0.94	0.97	0.9		

Development Enablers



Small States

Special development challenge:

- Most vulnerable to exogenous shocks
- Climate change
- Less progress in small states
- Data problems
- Special case, differentiated goals

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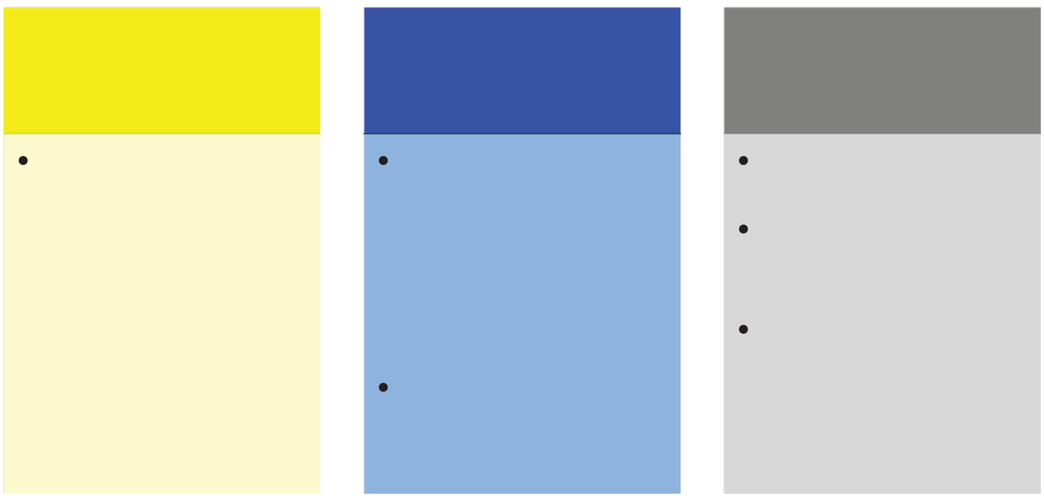
What can the G20 do?

A Strengthened Global Partnership for Development (1)



A Strengthened Global Partnership for Development (2)

Shock Architecture

- More emphasis on dealing with shocks and volatility
- Need permanent compensatory shock facility with low or no conditionality, that disburses quickly and has a high level of concessionality
- Establish task force

What else can the G20 do?

National Enablers

- Press for special consideration of key national enablers
- Propose goals, targets and indicators

Small States

- Acknowledge unique development challenge
- Cognisant of impact of policy
- Task force assessing special case and special treatment

Contents

Financial Inclusion in the Commonwealth and Francophonie

1. Since 2008, the G20 has embraced financial inclusion as a main pillar in it development agenda. The G20's commitment is grounded in statistical reality which illustrate that almost 70 per cent of the world's adult population (or 2.7 billion people) lack access to basic financial services, such as savings or checking accounts and credit facilities. Moreover, the G20 initiative also responds to the growing body of research which confirms that the lack of access to finance services contributes to poverty traps and rising inequality and has a dampening effect of economic growth and development. The vast majority of the financially excluded are in poor vulnerable developing countries, including the small island states of the Commonwealth and the Francophone Zone.

2. In order to guide governments that wished to make financial services more inclusive, the G20 articulated a set of nine principles – the G20 Principles on Innovative Financial Inclusion – which were endorsed at the Toronto G20 Summit meeting in June 2010. Essentially the principles underscore that a meaningful pursuit of financial inclusion requires

- **Leadership**, in the form of abroad-based government commitment
- **Diversity**, through policy approaches for a suite of services (savings, credit, payments, transfers and insurance) delivered by a range of service providers
- **Innovation**; of a technological and institutional nature to expand access and usage
- a comprehensive approach to **consumer protection** to avoid exploitation of the un-sophisticated
- **Empowerment** through the enhancement of the consumers' financial capacity
- **Cooperation**: through partnerships and collaboration between government business and other stakeholders
- **Knowledge**, reflected in improved data to make evidence-based policy and measure progress
- **Proportionality**: i.e. the construction of a policy and regulatory framework that is risk-based and proportional and supports rather than discourages financial inclusion.
- **Framework**, through adherence to market-based systems and international standards, appropriately modified for national circumstances.

3. To implement this important initiative the G20 put in place a consultative mechanism –the Global Partnership for Financial Inclusion (GPFI)—comprised of G20 and non-G20 (mainly developing) countries, together with other interested stakeholders (such as the World Bank, the IFC etc.). The work of the GPFI is conducted through two main implementing units viz; the Alliance for Finance Inclusion (AFI), made up of members of central banks, finance ministries and regulatory agencies from over seventy countries and the Consultative Group to Assist the Poor (CGAP), an independent entity, with a membership comprising 16 donor countries, 11 multilateral development organizations and five private foundations.

4. The main pillars of the G20 Action Plan on Financial Inclusion are:
   - To provide incentives for the private sector to increase access to financial services for the poor and vulnerable
   - To get countries to pursue this objective taking into consideration the nine principles of innovative financial inclusion
   - To encourage standard setting bodies to adapt their mandates to support financial inclusion and
   - To get the IMF (and other multi-lateral agencies) to strengthen data collection on financial inclusion and to encourage countries to develop domestic data sources to inform policy-making and monitoring.
5. In addition to promoting increased access to financial services to households, the G20 initiative also focuses on scaling up the availability of financing for micro, small and medium-sized enterprises and promoting and disseminating successful models of SME financing. The latter is critical to the program since SMEs generate the bulk of employment, income and economic growth in developing countries and particularly small island economies.
6. In late 2011, the G20 (through the AFI) launched a signature initiative – the Maya Declaration – under which countries were encouraged to make specific, measurable commitments to increasing financial inclusion. To facilitate implementation and monitoring of these commitments, at their June 2012 Mexican Summit, G20 leaders endorsed a Financial Inclusion Peer Learning Program to promote peer exchanges and knowledge sharing among G20 and non-G20 countries.
7. By the end of 2012 financial regulators from about thirty-five countries had made financial inclusion commitments under the Maya Declaration, designed to:
   i. create an enabling environment that increases and lowers cost of financial services including through new technology;
   ii. implement a proportionate regulatory framework that balances financial inclusion, integrity and stability;
   iii. integrate consumer protection and empowerment as a pillar of financial inclusion and
   iv. develop data sources to inform policies and track results.

The Commonwealth, Francophonie and the G20 Financial Inclusion Initiative

8. The Commonwealth and Francophonie (the two associations) have been strong supporters of the G20's work on both advanced and developing countries. Both associations welcomed the G20s development agenda and, in particular, its financial inclusion initiatives. Their keen interest in financial inclusion derives from the fact their approximately 100 countries,

with a population of 2.5 billion people; include the majority of the world's smallest, poorest and most vulnerable states, many of whom have a high degree of financial exclusion. In addition countries in the Commonwealth and Francophonie have undertaken a wide range of financial inclusion initiatives which could serve as best practices both for members of their group as well as for other developing countries.

9. In the lead-up to the G20 Toronto Summit in 2010, the Commonwealth and Francophonie provided a joint submission to the G20 pressing for "wide-ranging innovations in finance to help catalyze improved access to and levels of finance to the most vulnerable". In June 2011, the Commonwealth and Francophonie commissioned a comprehensive paper entitled, "The G20 and Financial Inclusion: Perspectives and Suggestions for Developing Countries of the Commonwealth and Francophonie".

10. In addition to supporting the foundation laid by the G20 and the proposals advanced by the Commonwealth and Francophonie, the 2011 CHOGM agreed to " launch an annual officials-level Commonwealth meeting on the G20 development agenda, building on the Commonwealth's contributions to the G20 Development Working Group". Finance Ministers attending the 2011 CFMM endorsed recommendations to further work on Financial Inclusion in Commonwealth member states.

11. Based on this mandate the Commonwealth commissioned a study to assess financial inclusion in thirty five (35) selected member countries including Canada, Vanuatu, Ghana, and Seychelles from the Association. The objective of the project were (i) to collate information and best practices on regulatory and supervisory responses to Financial Inclusion; and (ii) to assess the extent to which these countries satisfied the nine principles on Financial Inclusion.

12. The results of the study were included in a report entitled "Financial Inclusion in the Commonwealth". The Study concluded that the Commonwealth countries were performing satisfactorily under the nine G20 Principles on Financial Inclusion and highlight a large number of initiatives that have been put in place to address barriers to Financial Inclusion. These include:

    i. **Promoting innovative means of improving access to financial services.** In Vanuatu, for example, Pacific Financial Inclusion Programme (PFIP) is teaming up with Westpac Bank to introduce "InStore" banking, where clients can withdraw and deposit money, pay bills, receive and make transfers through trained banking agents equipped with Point Of Sale (POS) devices. Clients also have access to an account with no minimum fees or balances and are charged only for transactions made through agents, merchants or ATMs. Similarly in Ghana, Fidelity Bank recently announced that the use of 'susu' collectors to improve delivery and reach. These collectors are equipped with point of sale terminals for real-time reconciliation. This is a prime example of how a formal financial service provider can tap into informal networks. Of note also is the Central Bank of Seychelles, which launched the countrywide mobile payment solution to implement a nationwide mobile payment solution to provide everyone with person-to-person, person-to-business and person-to-government real-time mobile payments by mid-2013. Services will include direct credit, near field communication based point-of-sale payments, international remittances and bill payments.

ii **Encouraging Great Push for Consumer Protection**: In Mauritius, the Financial Services Commission Mauritius launched the Consumer Education Roadshow 2012 to: (i) promote public understanding of the financial system including awareness of the benefits and risks associated with different kinds of investments; and (ii) take measures for the better protection of consumers of financial services. Countries such as Vanuatu, Samoa and Nigeria are also developing clear roadmaps for addressing consumer complaints and protection.

iii **Promoting financial education at a national level**. In Fiji, the Fined project is developing learning and teaching materials to integrate Financial Literacy seamlessly into school curriculums. Champion schools now pilot the project and it is expected that in 2013, all primary schools will be learning how to save, spend and invest wisely. In Samoa, the Central Bank runs a weekly radio programme, in both the local language and English, while in South Africa, Financial literacy and entrepreneurship comprise a 60% of school's Economic Management Science learning syllabus. Of note also is the Solomon Islands where a Financial Literacy Committee was established by The National Financial Inclusion Taskforce to coordinate financial literacy activities in the country.

13. These efforts somewhat mirror the considerable efforts of the Commonwealth Secretariat to promote financial inclusion through financial literacy programs – in the Caribbean, Asia, in the small Pacific Island states and in sub-Saharan Africa. Currently around twenty of its member countries have participated in regional financial literacy train-the-trainers workshops which seek to highlight successes, best practices and motivate implementation. These training have generated a number of successful follow-up programmes with one such being the video conferencing model employed by participants from the Eastern Caribbean Central Bank, who were inspired to start their own train-the-trainers programme which has since reached over 300 trainers across the community. The Commonwealth experience has shown that such shared learning has helped focus attention and motivate programmes in across its member countries. Implementation of more region specific sharing of best practices and south to south cooperation is therefore recommended; including among Commonwealth and Francophonie states.

14. Despite the strong progress made in some areas and by some member countries, the Commonwealth's paper which reviews of progress with implementing the G20 nine principles of Financial Inclusion highlights the fact that more effort is needed in developing countries of the Commonwealth and Francophonie to promote financial inclusion. There

is a need to ensure that cheap and viable technologies such as mobile banking are available to provide sustainable financial services access to the poor. Moreover, there is insufficient evidence that governments are strongly committed to acting on the principles advanced. In the Caribbean, for example, only one or two governments or central authorities have actively recognised Financial Inclusion as an issue of immediate relevance and despite pockets of activity in a few countries, there needs to be greater commitment on principles related to leadership, empowerment, protection, co-operation, knowledge, and innovation. The fact that countries in the region have more advanced financial services, comprise mainly small states with relatively small rural populations, and have been classified as middle to high income may explain why the international community has not yet lent as much support as in the African and Pacific countries. In Fiji, for example, the UNCDF has joined forces with the UNDP, the European Union, AUSAID and other donor agencies, with Governments and central banks in the region, to drive and spread the benefits of financial inclusion throughout the Pacific Island Countries. Given the debt and budgetary challenges faced by Caribbean governments in general, the international community would need to do more to help governments focus attention on the wider aspects of Financial Inclusion.

15. While recognising the efforts that have been made under the G20 initiative (including the provision of debt and equity funds by development finance institutions DFIs), many of the recommendations made in previous submissions to the G20 by the two associations remain in need of attention. Notably:

- There is still an urgent call for more SME funding for regions with small states such as the Pacific and the Caribbean. The need also remains to make work on SME finance more appropriate for members of the Commonwealth and Francophonie. This should include a new policy framework, new guidelines and enhanced financing
- While there has been some progress with developing a set of measures of data on financial inclusion, too few Small States of the Commonwealth and Francophone have implemented procedures to do the same.
- The need to focus on financial literacy at a national level and on an ongoing basis remains relevant and is often masked by initiatives which occur on a small and infrequent scale. In countries such as Dominica, the main observed indicator of financial education is the “financial literacy week” with banks and other institutions taking part in outreach programmes.
- The FATF has conducted the groundwork for promoting financial inclusion within its model framework. Nevertheless, some countries still face ambiguity in relaxing the measures and clearer procedures must be shared to encourage wider adaptations. While, the FATF principles on Financial Inclusion represent a good start to removing barriers to financial inclusion, many small states and developing countries have still not made changes to facilitate a variety of identification measures. As a result, cumbersome

requirements still limit access to the formal financial sector; particularly in the Caribbean region, where for various reasons, the need for the changes still needs to bear resonance. Greater Outreach is needed to reinforce these messages.

- Of equal importance is the fact that measures must be put in place for regional and international standard setters to work with countries to implement and disseminate policies which address newer products and services promptly. Policies, such as those governing mobile banking need to be developed and shared with countries working to implement similar processes, for example, Kenya's M-PESA and the way it was promoted and regulated may hold valuable lessons for the promotion of m-financial services in small Pacific/Caribbean states.
- IFIs should reconsider their lending policies towards small and vulnerable states so that those countries become better financially included.

Assessing the G20 Initiative

16. The Commonwealth and the Francophonie welcome the G20 focus on financial inclusion as it has prompted association countries to intensify their efforts in this area. Thanks to the G20's advocacy, Financial Inclusion is rapidly becoming a high priority item on the policy agenda of many emerging market and developing countries. More and more countries are now coming to realize the critical importance of access to savings facilities, credit and insurance for their economic development and poverty alleviation efforts.

17. The Commonwealth's thirty five country review, however, shows mixed progress in implementing the measures as a holistic framework. When progress is measured in terms of whether countries are highly compliant, somewhat compliant, or sufficiently compliant with implementation of the nine principles, one note variations both within and across regions. In terms of developed Commonwealth countries, the UK, Australia and Canada all show strong compliance and performance across almost all the principles while countries such as Malta and Cyprus seem to lack a strong holistic approach. Similarly in Africa and the Pacific, countries such as Fiji, Solomon Islands, Africa and Kenya are making a strong push towards gearing national policies on the issue of financial inclusion, while others are now beginning to make a firmer grasp.

18. The English speaking Caribbean member countries present even greater challenges, as the map seems almost completely bare of evidence of compliance with the nine principles. Trinidad and Tobago seems to be on track with complying with or working towards fulfillment of some of the objectives while the Eastern Caribbean Central Bank has instituted a strong programme for financial literacy, albeit on a paid basis. For most of the other countries or authorities, there are thin threads of evidence of commitment. As noted previously, the lack of focus on the issue of financial inclusion may result from the fact that, in general, countries in the region do not have large rural or migrant communities;

access to banking and other financial sector services is relatively easy for the majority of the population; there are fewer identity, address and language barriers; and the need for innovative services such as mobile banking is marginal at best. The region also lacks national assessments and international support for the implementation of the policies, given that countries tend to fall within the middle to upper income ranges. As such there are few national surveys such as FinScope reports, to focus government attention on areas of need. Trinidad and Tobago has conducted their own such study and is also well advanced in having a solid financial consumer protection and national financial literacy programme. On the other hand, for a number of others, financial literacy is evidenced in one day or one programmes. The need for a sustained and comprehensive approach has either not yet been recognized, marginalised by lack of fscal and space, or overshadowed by the focus on raising compliance or meeting the recommendations of other financial sector assessments; particularly given the need to protect key industries like international financial sectors.

19. The G20 initiative has led some governments to seriously examine the possibilities of mobile technology and branchless banking for poor and rural folk. The initiative has forced governments and regulators to focus on the barriers to financial inclusion faced by the poor and vulnerable and to consider regulatory and legislative adaptations to address these barriers.

20. The Association welcomes the broadening of the conceptual debate in relation to credit and financial inclusion. Initially, the focus was entirely on micro-enterprise credit and MFIs, which has more to do with self-employment and poverty alleviation. To bring in development and employment, the initiative now incorporates a second track, SME financing, access to which, as is well known, is a severe constraint in most developing countries.

21. Notwithstanding the increasing popularity of financial inclusion strategies, many countries, including many Commonwealth and Francophone countries, still need to show commitment to a formalized comprehensive framework. There are two possible explanations for this. First, some countries still don't have an appreciation of the magnitude of the problem nor an understanding of the gains to be derived from increasing financial inclusion and second, many countries lack the capacity and funding to develop an appropriate financial inclusion framework.

22. One way of addressing this gap is to put financial inclusion more prominently on the agenda of the IMF and World Bank. As these institutions are already involved in promoting the development of a core set of statistics on financial inclusion, they should be ideally placed to provide technical assistance to the countries that need it. Given that most countries in the Commonwealth have not yet formulated financial inclusion programmes, the Commonwealth Secretariat may be considered to be a useful partner in this venture.

Possible areas for Specific Focus by the Commonwealth and Francophonie

23. The recommendations made in the 2011 Paper (listed above) are still relevant for enhancing the G20's financial inclusion initiative. This section seeks to expand on these recommendations and to suggest areas for specific intervention by the Commonwealth and Francophonie.

The need for financial inclusion indicators suitable for Commonwealth and Francophone countries

24. In the 2011 Paper it was noted that while the G20 was making progress in the development of a data template, most small states are not covered by these efforts. The most comprehensive and up-to-date series of financial inclusion indicators available is the 2011 Gallup World Poll (GWP) survey, which has been conducted annually since 2005. The 2011 data covers at least 1000 individuals per country in 148 countries. The list of countries, however, does not include the small island states of the Pacific nor the Caribbean (with the exception of Jamaica, Trinidad and Tobago and Haiti), many of whom are members of the Commonwealth. The World Bank Global Financial Inclusion (Global Findex) data base of for 2011 for Latin America and the Caribbean from the World Bank data base include only two Caribbean countries – Jamaica and Haiti.

25. Available evidence suggests that small island economies in the Pacific and the Caribbean have unique challenges as regards financial inclusion. In the Caribbean, for instance, mobile banking penetration is much lower than in several regions in the developing world (including sub-Saharan Africa). Also, the Caribbean does not have the network of non-bank agents that exist in parts of Asia and Africa. However, in the Caribbean, the proliferation of credit unions, some of which provide a whole range of financial services, goes a long way to filling the gaps left by the commercial banks in the rural areas. While credit unions could be said to belong to the formal financial sector, in most countries in the Caribbean they are subject to little, if any, prudential supervision.

26. Partial evidence also suggests that the barriers to financial inclusion in the Caribbean may also be different from that which obtains in many other developing countries. While household income, geographic location, gender and education may be significant factors in many developing countries, cost considerations (fees, minimum deposit requirements) and documentation requirements seem to be much more significant barriers to account ownership in the Caribbean.

27. The above information suggest that as a prelude to developing a financial inclusion strategy in small island states like the Caribbean and the Pacific, there is need for more comprehensive information base which could be best obtained through more targeted surveys. The Commonwealth and Francophonie could partner with their member countries to conduct these surveys.

Need for a New SME Model

28. Notwithstanding some success in the implementation of the financial inclusion agenda, access to reasonably-priced finance for SMEs continues to be a major challenge in most developing countries, stunting growth prospects, employment generation and poverty alleviation. In most developing countries financial liberalization has not facilitated increased availability of credit to SME. The root of the problem varies from country to country and from region to region. However, there are some common problems that need to be addressed such as regularizing land registration and titling, the establishment of credit bureaus and credit rating agencies (for small enterprises) and institutional arrangements for improving debt recovery proceedings.

29. There may also be a need to review the basic model underpinning the G20 financial inclusion initiative. This model sees the main role for governments to be the establishment of an enabling environment for the operation of the private sector. In many developing countries however, the private sector is not yet ready to assume this role in which case some direct intervention may be required.

30. For the most part, international financial institutions (and some donors) discourage direct government intervention, including mechanisms such as the government guaranteed credit schemes or the establishment of state-owned development banks, even though, such targeted government support mechanisms are commonplace in most advanced countries. While the record of government intervention in many developing countries, may not be encouraging, this may be a case for establishing good practices for effective public intervention rather than discouraging such actions altogether. Perhaps, this is another challenge for the Commonwealth and Francophonie, in collaboration with some of the multilateral agencies.

Commonwealth/Francophonie Support for reconciling FATF requirements and Financial Inclusion

31. A major development in the financial inclusion initiative has been the G20's engagement with the standard-setting bodies with a view to reconciling their mandate with the expansion of financial inclusion in developing countries and particularly in the small states of the Commonwealth and Francophonie. There is no doubt, for example, that many of the norms proposed by the standard-setting bodies were initially designed having in mind institutions in the financially more-developed countries, where conditions are markedly different from what obtains in the poor vulnerable countries that house most of the unbanked. Moreover, many developing countries are now pioneering innovations in the field of financial inclusion (such as mobile banking) that were not clearly addressed by the standard-setting bodies. In these circumstances, the greater flexibility of the SSBs is welcomed.

32. The issue is particularly important with respect to the standards set by the FATF, which tended to be uniform across the globe to prevent arbitrage. A study by the First Initiative

involving fve countries (Indonesia, Kenya, Mexico, Pakistan and South Africa) concluded that AML/CFT measures can negatively affect access to and use of fnancial services, if the measures are not carefully designed. As a result of the intervention of the G20's implementing agencies, the FATF has indicated a willingness to adopt an AML/CFT approach that is more risk-based and proportionate, and takes into account the country's institutional capacities.

33. However, many of the developing countries involved in implementing fnancial inclusion strategies lack the technical capacity to assess and design appropriate AML/CFT measures. In Africa and the Pacifc, for example, a large number of countries still lag behind in terms of implementing sound procedures and methodologies for monitoring AML/CFT and many developing countries are unclear as to what constitutes a risk based framework. Moreover, there are still crucial sectors such as credit unions and insurance companies which still require guidance in implementing the recommended FATF policies. Given that fnancial inclusion tends to embrace micro-fnance and other such initiatives, it is recommended that the Commonwealth and Francophonie - step in to provide the necessary technical and logistical support to help member countries in their engagement with the FATF. Indeed a regional approach to this problem may be both warranted and feasible.

The Commonwealth/Francophonie should expand its involvement in financial literacy and Consumer Protection.

34. All the relevant stakeholders have acknowledged that fnancial literacy and consumer protection are critical aspects of the fnancial inclusion agenda. Over the past few years, the Commonwealth Secretariat has conducted a number of fnancial literacy interventions in the Caribbean, the Pacifc and elsewhere, among its members. In most cases the interventions were not directed specifcally at fnancial inclusion, but were rather aimed at preparing children and adult consumers at all levels, to make intelligent fnancial decisions. Based on the experienced gained, the Commonwealth Secretariat should now be in a position to develop and disseminate a comprehensive fnancial literacy framework, as part of a fnancial inclusion strategy.

35. Dissemination of Financial Literacy training can be very costly if it is to be pursued on a sustained basis, a requirement if any model is to prove to be effective. The Commonwealth has developed a model which works with volunteers and adults with ready access to youth to maximise delivery of FL training. The training also customise delivery to the local context. In, developed countries one may fnd a heavy reliance on paid experts; electronic programmes, competitions, and development of relevant and costly learning materials to help maintain delivery. The G20 needs to focus attention on identifying means of either providing similar support or sustaining delivery where little or no national budgets exist. Fostering alliances with the private sector, youth organisations, NGOs and in-country groupings and

seeking to get Financial Literacy as an integral part of such organisation's programmes could prove an effective means of maintain sustainability. The G20 and other Association could play an effective role in helping to foster such alliances.

36. Much more work needs to be done in the area of consumer protection. Many jurisdictions, which only a few years ago, abandoned interest rate and other financial controls and liberalized their financial systems, are now reluctant to interfere with market mechanism, given the tenets of these models. Moreover, while developed countries have the legislation, tools, and bodies to police the market and ensure that liberalised markets work on a free and fair basis, small states and developing countries tend to lack such monitoring mechanisms. The domination of the markets by a few large banks; oligopolistic markets and political influence may mean that consumers, and in particular the poor and vulnerable, are exposed to risks from which they need protection. Thus in Canada, authorities saw the need to simplify financial brochures to meet the reading levels of the majority of the population so that consumers would be better placed to assess risks. The Canadian Financial Ombudsman Scheme is also a useful initiative as it provides a structured approach for dealing with consumer complaints.

37. Accordingly, there is need for dialogue among Commonwealth countries on an appropriate framework for consumer protection. This framework should address standards of market conduct, adequate information disclosure, the establishment of dispute resolution mechanisms in financial institutions and a financial services Ombudsman to resolve disputes which cannot be settled internally.

38. The above suggestions call for a marked increase in the financial and technical resources available for financial inclusion. The suggested approach also assumes a much more active collaboration, dialogue and the sharing of experiences between members of the Commonwealth and Francophonie and between members of the two associations and other countries involved in the promotion of financial inclusion. However, the stakes are high and the pay-off for the small economies of the Commonwealth and Francophonie could be great indeed.

Summary Recommendations

39. In summary, to propel greater action on the nine principles, it is recommended that the G20 and international partners:

- Work with countries to prioritise the recommendations and principles related to Financial Inclusion. This would be particularly useful for Small States and lesser developing countries such as those in the Caribbean given the fght for policy space and other issues raised above.
- Help countries develop a more nationalised strategy or a roadmap for the implementation of the principles on a medium to long term basis. Principles such as leadership and cooperation seem to go hand in hand and the study reveals that where there is no national commitment there is little or no evidence of cooperation, More needs to be done to focus attention.
- Recognise the fnancial limitations of both donors and governments and assist countries to prioritise the principles and work through them on a phased basis. Gaining government commitment and coordinating partnerships seem to be mandatory frst steps for success. For some, like Kenya, pushing for innovations such as mobile banking may be key central steps; while for the Caribbean, the next logical step may be focusing resources on fnancial consumer protection and literacy. Intuitively, however, there seems to be a need for all three to go hand in hand as fnancial services spread to poor and rural communities. How can choices be worked into existing resources or how can greater fnancial resources be garnered and more evenly spread?
- Develop/Promote standardised self-assessments so that countries can gauge their own compliance with the nine principles and improve on areas which are deemed lacking. This would be particularly useful for areas where programmes are already in place, e.g. consumer complaints procedures; but which lack a solid framework and adherence to best practices. Because of a lack of knowledge on recommended best practices or policy fatigue, countries have been found to be complicit about the need for improvements in given areas. The World Bank currently conducts assessments in consumer protection and literacy for selected countries outside the Caribbean and many countries know little about these processes. There is need for the recommended best practices to be more entrenched in frameworks that already exists or that are being brought to fruition.
- Consider measures which allow for the collection and dissemination of legislation and policies governing issues such as micro-fnance, payday loans and mobile and agent banking. Tools such as these could help minimize challenges, provide light on the risks and how to address the same; and help speed up implementation of similar programmes.
- Find means of sharing innovations and best practices on principles such as empowerment and fnancial literacy through the development of centralised databases. Countries are interested in models which seamlessly transition fnancial education into

existing learning curriculums. There is therefore a need to develop guided frameworks which help countries implement programmes in a cost effective manner. Knowing what can be studied at the various educational stages; how these can be incorporated into existing core subjects such as Maths, Language and Social/ Business and Enterprise Studies; providing examples of doing same can go a long way in winning commitment to this principle. Such models are being trialed in countries such as New Zealand and Fiji with great success. Examples of programmes, material and resources used would also prove useful.

- Help fund and foster networks and exchange of learning experiences, such as the Commonwealth Regulatory Network which allows countries to learn from those that are more advanced and improve regulatory compliance. Several countries are only now beginning to implement solid frameworks for AML/CFT and many authorities do not yet fully recognise what AML/CFT typologies their countries face or constitutes risk-based frameworks.
- Finally, promote a set of core data for enhancing measurement and knowledge on a more regular and frequent basis. The Commonwealth's review of compliance by thirty five countries show mixed results in terms of principle of measurement. More is needed to help governments understand changing landscapes and determine whether financial inclusion programmes are bearing fruit. The compilation of comprehensive data would go a long way in pushing the process forward as should provide the scientific evidence for convincing authorities about the need for enhanced focus and also highlight areas where greatest need exist. The difference in focus among Africa, the Pacific and the Caribbean may partially result from the fact that Finmark Trust and others have done scoping surveys which clearly highlight challenges and inadequacies with regards to financial inclusion in the two former, while such scoping surveys are rare among the Caribbean countries.

Contents

Executive Summary

Expanding infrastructure in the approximately 70 Commonwealth and the Francophonie developing countries, particularly the poorest, smallest and most vulnerable members (PSMVs) is a major priority. Thus far, the G20 has taken important steps to explore the infrastructure and infrastructure financing challenges in developing countries. These efforts should continue; and a special focus should be considered, to address the challenges of PSMVs. There are multiple challenges in building and financing infrastructure in PSMVs: these include the impact of global demographic, economic, social and environmental changes, the challenging global economic environment, the specific challenges of small states, the scale of aggregate infrastructure needs and the availability of financial resources.

There are large sectoral and aggregate infrastructure gaps, at country and regional levels and existing economic, social and environmental infrastructure in these countries is not capable of meeting the challenges brought about by increasing population, rapid urbanisation and climate change. Without a step-change in infrastructure, these countries will not achieve sustained higher levels of growth; and will experience increasing challenges in addressing poverty, achieving the Millenium Development Goals (MDGs) and building resilience.

Public sources of finance are wholly inadequate to fill current infrastructure gaps and meet future infrastructure needs. ODA, FDI and other traditional sources of infrastructure finance fall significant short in addressing infrastructure gaps; PSMVs are locked out of access to other forms of external finance which larger and better-resourced developing countries are able to access. For these countries, resolving their infrastructure and associated financing challenges will require innovation, greater national, regional and international collaboration and a more dedicated focus in addressing their financing needs.

There are many opportunities to augment infrastructure and infrastructure financing for PSMVs. The paper examines a small sub-set of these – ten specific opportunities – which appear most apt for the circumstances confronting PSMVs. Some can be addressed through regional action, others through a stronger concerted collective global effort. Where applicable, the role of the G20 in promoting these efforts is cited.

The Commonwealth and Francophonie can play a facilitative and collaborative role in sharing information, highlighting the particular challenges of PSMVs and helping identify practical opportunities to augment infrastructure and infrastructure financing in these countries. Opportunities to pursue this can be usefully pursued through follow-up initiatives with the G20 DWG.

Introduction

In recent years, the Commonwealth and the Organisation Internationale de la Francophonie ("Francophonie") have engaged extensively with the G20 Development Working Group. This process, which has brought many of the world's poorest, smallest and most vulnerable developing countries into informal and candid discussion with G20 members, has enabled a detailed dialogue on several development issues which are mutual priorities of the three organisations.

Thus far, the G20 has taken important steps to explore the infrastructure and infrastructure financing challenges in developing countries. At its Seoul G20 Summit in 2010, the G20 established a Multi-Year Action Plan on Development (MYAP); and established infrastructure as one of nine priority pillars of G20 focus and attention. Two key pathways for action were also established at the same time: a focus on the role of the Multilateral Development Banks in promoting and accelerating infrastructure and infrastructure financing, in a regional context; and the constitution of a High-Level Panel on Infrastructure (HLP). The HLP subsequently reported on its work in 2011. More recently, infrastructure and its long-term financing comprise an important priority of Russia, as President of the G20 in 2013.

The paper considers the challenges and examines the opportunities to expand infrastructure provision and infrastructure financing in the poor, small and vulnerable economies of the Commonwealth and the Francophonie. While there is an extensive empirical and technical literature on the opportunities and challenges associated with infrastructure development in developing countries, the particular needs and challenges of the poorest and smallest developing countries have not been sufficiently elaborated or conveyed to global institutions, including the G20. A clearer elaboration of these needs can enable current heightened global discussions on infrastructure provision and financing to better take account of the particular needs of these countries.

Structure of the Paper

The paper considers infrastructure provision and long-term financing for infrastructure from the perspective of these countries and through the lens of the developing countries of the Commonwealth and the Francophonie. The first part briefly examines G20 efforts to date, to help mobilise infrastructure and infrastructure financing in developing countries. These efforts have helped catalyse international, regional and national efforts to promote infrastructure, improve the conditions necessary to attract long-term investment in infrastructure, galvanise new forms of international and regional support for infrastructure. Yet infrastructure gaps are far from being filled. And a particular challengfr [illegible]

[illegible]

investment and long-term fnancing for infrastructure; and the extent of current infrastructure gaps. The large majority of these are small, poor and particularly vulnerable countries. They have an acute unflled need for economic, social and environmental infrastructure to help build resilience, address their vulnerabilities, including poverty and their proneness to external shocks and promote opportunities for growth and improved qualities of life. After briefy examining member composition, this section considers the macroeconomic and other challenges which these countries face in attracting infrastructure investment and infrastructure fnancing; and examines recent empirical evidence of underinvestment – the extent of infrastructure and infrastructure fnancing gaps. Data on infrastructure in the worlds' poorest, smallest and most vulnerable developing countries (PSMVs) is not comprehensive; and many countries have poor data on both infrastructure stock and infrastructure & infrastructure fnancing needs. The paper consequently considers fnancing gaps at a regional level, in three key regions in which PSMVs are concentrated: Sub-Saharan Africa, the Caribbean and the Pacifc.

Thirdly the paper sets out several key reasons for structural underinvestment in these countries. Small size is a particular structural impediment which requires an urgent international response. How can these gaps be flled and causes of underinvestment be overcome? There are a very wide range of proposals. The fourth part of the paper considers ten specifc opportunities among these, to promote infrastructure and innovative sources of infrastructure fnancing in the PSMVs. Where appropriate, suggestions for an augmented focus by and role for the G20 are included. If effectively grasped by PSMVs as well as by their development partners, including the G20, regional and international partners, offer opportunities to transform the fnancing and provision of infrastructure in these countries. The fnal section concludes.

1. The Role of the G20 in Promoting Infrastructure

The G20 has played an active role in seeking to expand infrastructure financing and encourage greater infrastructure in developing countries, including in Low-Income Countries. The most important channel has been through the G20's development initiatives. In 2010 G20 Seoul Summit established the Multi-Year Action Plan on Development (MYAP). The MYAP includes nine priority pillars for focus by the G20's Development Working Group, including Infrastructure. This work has received G20 engagement and focus in each subsequent G20 Presidency. And in 2013, infrastructure, including the challenge of long-term financing for infrastructure has been signalled as a priority policy issue for the Russian G20 Presidency.

The G20's focus on infrastructure has proceeded through three broad channels. Firstly, through the creation of a High-Level Panel on Infrastructure (HLP), with a focus on finding ways to promote private investment flows and to encourage an expansion of infrastructure financing, particularly to low-income countries; secondly – and flowing from the findings of the HLP, through an initiative to encourage Multilateral Development Banks to prepare action plans to expand infrastructure financing; and thirdly, through the the ongoing actions of the DWG itself, with progress being reported through a series of annual G20 DWG progress reports.

The HLP was established following the 2010 Seoul G20 Summit and asked by G20 leaders to prepare recommendations to "scale up and diversify financing for infrastructure needs, including from public, semi-public and private sector sources, and identify, with multilateral development banks, a list of concrete regional initiatives". The HLP submitted its report ahead of the 2011 G20 Summit in Cannes. The report offers three key sets of recommendations: a first cluster of recommendations focuses on finding ways to mobilise domestic sources of financing for infrastructure, by developing and deepening local currency debt markets. Here the HLP also recommends greater sharing of information regarding infrastructure initiatives, to bridge gaps between perceived and actual risks in infrastructure initiatives; and encourages public institutions, as well as MDBs, to increase their contribution to funding infrastructure, in order to improve opportunities to leverage more significant volumes of private investment.

The HLP devoted some emphasis to the challenges of low-income countries, particularly those in Sub-Saharan Africa; and recommended addressing three priority issues areas to produce a step-change in infrastructure investment. Firstly ensuring a strong and sustainable supply of bankable projects, with the availability of local capabilities is key through the development of regional expert networks; secondly contributing to building an enabling environment, including using MDBs in helping developing countries and LICs improve their legal and regulatory frameworks; urging more flexibility in MDBs' procurement policies to accommodate the complex and multistage procurement that typically characterises most PPP structures; and advocating the introduction of a lead bank approach when several MDBs or development agencies are involved to streamline procedures. Here the HLP has proposed a set of six criteria to help with the selection and prioritisation process for future infrastructure investments in LICs and MICs. Thirdly the HLP recommended making funding available under appropriate terms, noting that mobilising financing for infrastructure remains acute, that risk mitigation is an area where there is room for further innovation and experimentation and that domestic financial intermediaries play a vital role given their experience in managing local risks[1].

Following the submission of the HLP Report, multilateral development banks, inter alia including the World Bank, African Development Bank and Asian Development Bank, have developed regional infrastructure financing plans, typically for the period 2012-2015. Details of some of these are provided later in this paper.

The G20 DWG has also issued progress reports since 2011. The most recent progress report, submitted to the 2012 Los Cabos Summit, reiterates the need for investment in infrastructure in developing countries and stresses the interdependency of other pillars such as economic growth, social inclusion and environmental sustainability[2]. Direct engagement is encouraged with the private sector, the environmental challenges that are brought about through infrastructure planning and execution are recognised and the G20 has called for the development of sustainable urban transportation infrastructure projects and recognise. The report also reiterates the need to identify best practices and financing options for sustainable planning and long-term success.

The work of the HLP, initiatives to develop action plans among MDBs and the G20 DWGs' efforts to date have all represented important and valuable catalysts for action and have contributed to helping focus attention on the wide range of national, regional and international policy initiatives which are needed to increase infrastructure and long-term infrastructure financing in developing countries, including LICs. Yet the challenges in achieving these goals remain enormous; and are particularly acute for a set of the worlds' poorest, smallest and most vulnerable countries, many of whom are members of the Commonwealth and the Francophonie; and for whom infrastructure and infrastructure financing gaps are widening. The remainder of this paper focuses on the challenges, constraints facing these countries, and the opportunities available to them, to achieve a step-change in infrastructure and infrastructure financing.

1 (2011) 'High Level Panel on Infrastructure Recommendations to G20'

2 (2012) Progress Report of the Development Working Group, G20

2. Infrastructure in Commonwealth and Francophonie Developing Countries

The Commonwealth and the Francophonie include within their collective membership approximately seventy of the world's poorest, smallest and most vulnerable developing countries. These include **34 of the world's 48 Least Developed Countries (LDC's), 32 of Sub-Saharan Africa's 46 states and approximately 40 of the world's small vulnerable economies**. They suffer from a range of challenges to their sustainable development, including limitations in institutional capacity, in the diversifcation of their economies and in access to external sources of fnancing for development.

The circumstances of these countries make infrastructure and infrastructure financing both a crucial imperative. Enhanced infrastructure can contribute directly to their economic growth and to sustainable employment and to reducing inequality[3]; offers the opportunity for private sector development and provides a basis for sustaining small and medium enterprises. Infrastructure provides a direct contribution to building the long-term economic base of these small and poor developing countries, through the expansion of road, transport, ICT and other assets, all of which provide an improved basis for sustaining higher levels of output and growth. Expanding the infrastructure base can help accelerate the modernisation of their economies, providing an important channel for access to and application of new technologies. Building social sector infrastructure in education and health helps improve the ability of the poor in Commonwealth and Francophonie developing countries to gain access economic opportunities, attain higher standards of living and improved quality of life; and provides a further set of pathways to enhancing these countries' long-term growth potential. Enhanced infrastructure provision also represents a direct contribution to the provision and enhancement of basic services, inter alia improved and more reliable water supply and sanitation, transport and access to reliable sources of energy.

Despite these advantages, these countries face a disproportionately more complex and difficult challenge in comparison with many other developing countries in augmenting infrastructure and infrastructure financing. These countries experience high levels of poverty and often acute disparities in income and wealth distribution. They are also susceptible to natural disasters and to severe environmental and ecological threats, with disproportionately large consequences to growth, efforts to reduce poverty and build economic, social and environmental resilience. Low-income countries have suffered acute challenges in increasing their growth rates, for several reasons, including particularly their proneness to shocks.[4] These factors reinforce the need to secure to an infrastructure base which better enables poverty to eradicated, vulnerabilities overcome

[3] For example Straub, S. (2008). "Infrastructure and Growth in Developing Countries: Recent Advances and Research Challenges". World Bank Policy Paper 4460; Agenor, P. and B. Moreno-Dodson (2006). "Public Infrastructure and Growth: New Channels and Policy Implications", World Bank Policy Research Working Paper 4064.

[4] Winters et al. for example note that LICs increased their per capita GDP by only 11 per cent between 1960 and 2007. Halving the severity of their downturns would have increased GDP by about 70 per cent over this period. Winters, L.A., Lim, W. Hanmer, L. and Augustin, S. (2010) "Economic Growth in Low Income Countries: How the G20 Can Help to Raise and Sustain It." ED-WPS No.8-2010.

resilience built. An illustration of the acuteness of their challenges is briefy recognised by the HLP, in referring to the challenges of Sub-Saharan Africa: "While infrastructure gaps between developed countries and LICs are huge, the infrastructure defciencies in Sub-Saharan Africa are very substantial even relative to other LICs: Sub-Saharan Africa's road density is only 53% of other LICs while paved road density is 50%, electricity coverage is 47%, improved water source in rural areas is 67% and in mobile phone density… is 75% of other LICs.[5] Yet as the ensuing paper indicates, there are other large groups of poor and vulnerable developing countries which face similar disproportionate challenges in accessing infrastructure.

Since the global economic crisis, the challenges confronting these countries in accessing finance for and building infrastructure have deepened. Some members are emerging with levels of unemployment, social indicators and macro-economic indicators in a comparatively healthy state. Others have suffered irreversible damage to social or human capital and some among them fnd themselves with large domestic and foreign debt, large balance of payments defcits, and weakened currencies. Many entered the crisis with sound fscal positions and are now experiencing signifcant fscal defcits. The decline in fscal space has had a particularly severe impact on capital spending in these countries. These countries exhibit relatively poor rates of gross domestic saving and of gross fxed capital formation in comparison with other developing countries; and face more acute macroeconomic challenges, particularly those which are non-petroleum-exporting countries. LDCs face particularly acute balance of payments vulnerability, raising risk profles and rendering it particularly diffcult to attract longer-term sources of external capital. UNCTAD, for example, notes that in 2011, thirteen LDCs had current account defcits of more than 10 per cent of GDP, while fve had defcits of over 20 per cent of GDP. Only fve LDCs reported current account surpluses.[6] At the same time, these countries are seeking to effectively to manage their many challenges to sustainable development, including climate change and national resource stress, including biodiversity and water; food and energy security; rapid urbanisation, which is having signifcant consequences for the availability of arable land; demographic changes; and changes in the global economy. Many have made relatively poor progress, in achieving the MDGs. For example a recent analysis of MDG performance in the Commonwealth developing countries shows that these countries are lagging comparable performance in other LDCs; and are off-track with 63% of their MDG targets. This percentage increases to almost 70% of Commonwealth LDCs and Sub-Saharan African members.[7] These countries continue to experience acute challenges in achieving macroeconomic stability, restoring pre-crisis levels of growth; rebuilding reserves without compromising the need for continued growth in real spending; addressing poverty and

5 High Level Panel on Infrastructure – Report to the G20. 2011, citing World Bank Development Indicators, Washington DC.

6 The Least Developed Countries Report 2012. UNCTAD (2012). The report shows that LDCs have shown less favourable gains in gross fxed capital formation than other developing countries; and their gross domestic saving rate declined from 18.9% (2005-2007) to 17.7% (2008-2010).

7 Progress on Achieving the MDGs in the Commonwealth. Commonwealth Secretariat 2013.

attaining their MDG targets; sustaining and deepening social safety nets; and attracting financing for investment in infrastructure which can build the foundation for future growth. Increasing fiscal austerity in donor countries is adversely impacting overall ODA in many of these countries.

Many of these countries are also small states, including many Small Island Developing States (SIDS), characterised by particularly open, relying heavily on trade and foreign investment to overcome their inherent scale and resource limitations and leaving them particularly prone to external economic and environmental shocks, especially when their domestic economy is undiversified. These small states also suffer from remoteness and insularity; and many are located far from major trade and financial markets. Their sovereignty typically necessitates the provision of public services, including social, environmental and economic services. While this is common to both small and large states, for small states these fixed costs can represent a disproportionate share of overall fiscal resources.

Small states in particular have experienced disproportionate adverse impacts from the crisis, which has compounded their difficulties in building and financing infrastructure. Many entered the crisis with stable or declining debt ratios and are now experiencing high and unsustainable levels of indebtedness. For these countries, which have traditionally relied on fiscal resources and domestic debt for a significant share of their infrastructure financing needs, rising indebtedness has shut off an important potential source of infrastructure financing. These countries have also lagged in performance in achieving the MDGs. A further recent analysis of changes in the Human Development Index (HDI) between 2010 and 2011 for 19 small states shows that, for the most part, human development in small states has deteriorated significantly. In the worst cases, achievement of the MDGs has been put at risk and it is clear that the financial crisis will have long-term consequences for nutrition, health, education, and welfare.

In the remainder of this paper, the most severely challenged Sub-Saharan African countries, LDCs and small states are collectively referred to as 'poorest, smallest and most vulnerable' countries (PSMVs) reflecting their characteristics of being acutely vW ' ' these trends will require enormous investments in infrastructure. Moreover the UN projects current global population to expand from 7 billion to 9 billion by 2050, with a 90% of the addition in developing countries. Expanding demand for goods and services will place very significant new demands on the economic, social and environmental infrastructure needed to support this.

Aggregate Infrastructure financing challenges are vast and will require an enormous and concerted global effort. The World Bank estimates that if current GDP growth and demographic trends continue, $1.1 trillion in annual expenditure in developing countries (6.6 per cent of developing world GDP) will needed until 2015 to satisfy consumer and producer demand for infrastructure services. The greatest needs, as a share of GDP are in low-income countries, estimated at 12.5 per cent of GDP. In lower middle-income and upper middle-income countries, these needs are respectively 8.2 per cent and 2.3 per cent of GDP. The Bank estimates infrastructure expenditure requirements in South Asia to vary between 7.6 and 11 per cent of GDP.[8]

The scale of costs to financing infrastructure is huge and escalating. Bhattacharya, Romani and Stern (2013) note that current spending on infrastructure in developing countries is approximately $0.8-$0.9 trillion per year, with the majority financed by domestic government budgets ($500-$600 bn) and the balance provided by private sector institutions ($150-250 bn), developed country ODA and Multilateral Development Banks ($40-60 bn), and more recently by emerging countries such as the BRICS (less than $20bn). Extrapolating estimates from Fay (2011), the authors note that infrastructure in developing countries, excluding the costs of operation and maintenance will need to increase to approximately $1.8 - $2.3 trillion per year by 2020, or from around 3% of GDP to 6-8% of GDP to sustain economic growth.[9]

Traditional sources of external finance on which PSMVs are predominantly reliant for infrastructure are inadequate; and future prospects for expansion of these sources which can provide the necessary step-change in infrastructure financing for these countries are not encouraging. Aside from resources mobilised domestically, low-income countries and other poor and small developing countries have relied on five key external sources of external infrastructure finance: sources from IFIs and multilateral development banks; official development assistance; external debt; and foreign direct investment.[10]

8 Transformation Through Infrastructure – Issues and Concept Note by the World Bank.

9 Bhattacharya, A., Romani, M. and N. Stern: Infrastructure Development: Meeting the Challenge. Centre for Climate Change Economics and Policy, the Grantham Research Institute on Climate Change and the Environment and the Inter-Governmental Group of Twenty-Four, (2013). Estimates adapted from Fay et al (2011). “Infrastructure and Sustainable Development”. In Postcrisis Growth and Development: A Development Agenda for the G20, edited by Fardoust, Shahrokh, Yongbeom Kim, and Claudia Paz Sepulveda.

10 The Istanbul Programme of Action recognises the “mobilisation of financial resources for development and capacity building” as an important priority objective for LDCs and development partners; and highlights ODS, external debt, FDI and remittances as key external sources for further mobilisation of resources. Istanbul Programme of Action, UN. 2011.

Official development assistance from traditional sources is beginning to decline. ODA has played an important counter-cyclical role for PSMVs, particularly during periods of global crisis; and ODA increased during the period 2008-2011. However subsequently, traditional sources of ODA have declined. The OECD reports that OECD members provided net overseas development assistance aggregating $125.bn in 2012, representing a decline of 4% in real terms in comparison with 2011. This has been prompted inter alia by the severe fscal constraints of traditional donors. While there are important variations among contributing countries, notably a signifcant increase in ODA provided by the UK, several Eurozone members have signifcantly reduced ODA in the past year.[11] ODA and concessional funding constitute very small proportions of total infrastructure spending across all developing countries as a whole.[12] Yet for LICs, these sources play a disproportionately large role in fnancing infrastructure.

Foreign Direct Investment for the poorest, smallest and most vulnerable developing countries has been declining for three consecutive years. FDI infows represent a crucial potential source of infrastructure fnancing for LDCs, small states, including small island developing states and African countries. Yet the most recently available data indicates that FDI to LDCs has declined for three consecutive years, from 2009 ($19bn) to 2011 ($15bn).[13] Excluding one-off disinvestment trends in one LDC, aggregate FDI to all other LDC during this period has remained unchanged. FDI to SIDS has declined from $4.4bn (2009), to $4.1bn (2011); and FDI to Africa has declined for a third consecutive year, from $53bn (2009) to $43bn (2011). Moreover **aggregate FDI inflows to all LDCs, including land-locked LDC and SIDS has increased by only $1.2bn in the period 2009-2011**. This contrasts with an increase of $326 bn in global FDI infows during the period, from $1,198 bn to 1,524 bn. The aggregate share of these three groups of countries in global FDI infows has also declined, from 3.8% of global FDI in 2009, to 3.1% in 2011.[14]

For LDCs, SIDS and African countries, representing the largest number of the worlds' PSMVs, FDI has thus represented a declining source of fnancing for infrastructure in recent years, posing an enormous challenge for these countries in seeking new ways to fnance their infrastructure needs.

A potential emerging source of FDI for PSMVs represents FDI from the BRICS (Brazil, the Russian Federation, India, China and South Africa). BRICS countries outward FDI has risen from $7bn (2000) to $127bn (2012), or 9% of global FDI fows.[15] 58% of these fows are to developing countries. However at present PSMVs receive little or no FDI from this source. Some 43% of BRICS outward investment fows to neighbouring countries in Latin America, the

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Caribbean, East Asia and South Asia, as well as transition economies. Africa accounts for 4% of BRICS FDI outflows. However BRICS' share in the continent's stock and flows reached 14% and 25% respectively in 2010; and these trends are growing.

LICs and PSMVs also rely significantly on infrastructure financing from international financial institutions and MDBs. The World Bank Group, for example, has developed several instruments intended to lower the costs and risks associated with private investment, notably through the IFC and MIGA. The rapid expansion of these facilities during the global crisis from 2008 provided significant support for essential infrastructure in developing countries. In 2010, the IFC invested $1.5bn in infrastructure projects.[16] The Policy Support Instrument of the International Monetary Fund (IMF) is also mobilising non-traditional financing sources for infrastructure. In Africa for example, four countries: Mozambique, Rwanda, Tanzania, and Uganda[17].

Yet many of these have thus far been insufficient to offset endowed handicaps in PSMVs; some are provided on market terms; and further calibration of financing is urgently required, to match financing with the structural and other unique characteristics of several groups of PSMVs, including small and land-locked states. A key challenge is to further improve the terms and reduce the financing costs of these facilities for PSMVs; and to couple these efforts with expanded use of IDA resources in supporting infrastructure development in LICs, by widening the use of these facilities as integrated, supportive and complementary financing mechanisms to promote infrastructure.

MDBs are providing a growing source of infrastructure finance for developing countries. Yet an insufficient share is being channeled to LICs and PSMVs. This is often due to augmented infrastructure project risk. The G20 HLP has made several key recommendations to escalate MDB lending to developing countries. These initiatives need to expanded, deepened and more concertedly focused on infrastructure needs in PSMVs.

LICs have the most acute need for augmented infrastructure financing; yet they have the most limited options for accessing infrastructure finance. While MDB support has been significant, as noted above, LIC have fiscal resources, traditional ODA flows are static and in some cases declining, FDI flows are concentrated in MICs and a small number of LICs; and many LICs are severely indebted, limiting their ability to finance infrastructure from both domestic and external sources of commercial lending. Unlike larger and better-resourced developing countries, they are also unable to access several other sources of infrastructure finance and require a concerted international support to develop new and innovative mechanisms to attract infrastructure investment and long-term financing for infrastructure.

16 IMF Annual Report, 2010.

17 Noman, A. (2011), 'Innovative Financing for Infrastructure in Low Income Countries. How might the G20 Help?', African Center for Economic Transofrmation, Occasional Paper 1

A substantial proportion of LICs do not have access to bank financing, particularly from developed countries, to finance their infrastructure needs. Other larger developing countries, by contrast have typically relied heavily on bank financing. Moreover in 2012 deal volumes declined to historically low levels, inter alia due to weaknesses in European banks, resulting in lower levels of bank lending to infrastructure in developing countries as a whole.

Many developing countries also rely on international bond issuances to finance infrastructure. Developing countries as a whole have increasingly issued long-term international bonds; and bond financing increased from $52 bn to $281 bn between 2008-2012. Yet LIC's have benefitted very little source. A recent joint IMF, World Bank, OECD, UNCTAD, UN-DESA and FSB study indicates that LICs attract bond issuance amounting to less than 0.5% of their GDP and most do not have access to international bond markets.[18]

With these limitations, most PSMVs will remain strongly reliant on a few core sources of financing for infrastructure; and will have the most pressing need to to innovate in infrastructure provision and in seeking additional and new sources of long-term financing for infrastructure. This challenge cannot be addressed by PSMVs alone, although significant further efforts are required by PSMVs to improve the domestic enabling conditions to attract infrastructure investment, strengthen domestic governance, improve project management and drive down project costs through further improvements in macroeconomic and structural policies, strengthened institutions and reduced project approval times. A further key challenge is the inadequately recognition by development partners of the specific challenges and circumstances of PSMVs.

Finding pathways to strengthen existing sources and secure new financing will require very strong international support, from the IMF, World Bank, regional development banks, bilateral donors and the private sector. The G20 can play a catalytical role in securing this support and developing a focused pathway to achieving this.

[18] Long-Term Investment Financing for Growth and Development: Umbrella Paper. IMF, World Bank, UNCTAD, UN-DESA, FSB, OECD. February 2013.

3. Causes of Underinvestment in Infrastructure in PSMVs

Evidence across a wide range of Commonwealth and Francophonie PSMVs suggests that there are several major factors are causing underinvestment in infrastructure in PSMVs. These include structural factors relating to size and location; vulnerability to specifc factors including proneness to natural disasters; and other demographic factors.

PSMVs suffer from acute underinvestment in infrastructure. Within the Commonwealth structural underinvestment is revealed by the fact that notwithstanding signifcant aggregate growth in private participation in infrastructure across Commonwealth developing countries, a large proportion has been concentrated within a single region; and in specifc sectors. For example, there has been substantial growth in both the annual number of privately funded infrastructure projects reaching fnancial close and the size of these projects within the Commonwealth. Data from the World Bank indicates that between 1998 and 2003 (the six years preceding the inception of the PPP Programme), 242 private participation infrastructure projects within the Commonwealth[19] achieved fnancial close, with a total of $76.1 billion invested by the private sector in infrastructure; between 2004 and 2009, these fgures rose to 406 projects, with a total investment of $214.8 billion. Yet the most signifcant growth has been in Asia, with the annual volume of investment rising from $7.7 billion in 2003 to $40 billion in 2009. The region accounts for three quarters of all private sector investment in infrastructure in the Commonwealth between 2004 and 2009, with over $124.8 billion, or approximately 50 per cent of all investment within the Commonwealth, invested in India alone.

Moreover, while there is a broad-based need for infrastructure investment in PSMVs, the focus of private sector investment in infrastructure in most of the Commonwealth has been in the telecommunications sector (77 per cent of investment in African countries, 69 per cent in Caribbean countries and 100 per cent in Pacifc countries). Investment outside of the telecommunications sector has also tended to be concentrated within a limited number of countries. According to World Bank fgures, of the Commonwealth's 41 low, lower-middle or upper middle income countries, only two benefted from private sector investment in water and sanitation, nine from investment in transport and 19 from investment in energy between 2004 and 2009.

Why is structural underinvestment in PSMVs taking place and what can be done to address it? There is an extensive literature, citing several key factors causing structural underinvestment in developing countries as a whole. One major cause is the lack of long-term fnancing for infrastructure in PSMVs. This issue is considered in further detail later in this paper. However there are also several other causes. These include the following:

Size. Small population size can signifcantly limit opportunities to develop infrastructure: there are often minimum thresholds for infrastructure usage if technical effciency is to be achieved; and the transaction costs in providing infrastructure for a small pool of potential consumers are disproportionately high. Where small population size is coupled with small overall size of

[19] Excluding the UK, Canada and Australia

the economy, there are further disincentives to infrastructure investment: both infrastructure needs and the capital costs of infrastructure are also typically disproportionately large relative to economic size, with small size limiting the advantages of economies of scale, due to indivisibilities in infrastructure requirements and limited scope for specialisation. All of these factors contribute to disproportionately high infrastructure development and construction costs, rendering infrastructure projects ineffcient and unable to be fnanced.

The characteristics of small states and the challenges confronting these countries were set out in detail in the Joint Task Force Report of the Commonwealth Secretariat and the World Bank in 2000.20 Investment expenditure is also typically one of the most volatile of all components of aggregate demand. Cordina for example notes that in small states, there is a slight tendency for accentuated volatility in investment expenditure, as well as a tendency for small states to dedicate a larger share of their output to investment. However this does not result in smaller countries achieving higher rates of growth. Cordina attributes this to two factors: investment in larger countries is more productive due to different returns to scale and technologies; and that small states are obliged to save more in liquid and less productive assets to overcome the effects of shocks, with such investment not necessarily contributing to higher levels of output.[21]

A recent IMF assessment of macroeconomic issues in Small States recognises several of the challenges identifed in the earlier Commonwealth Secretariat-World Bank Task Force report, inter alia fxed costs in infrastructure, which can raise the average cost of the public sector for small states and may result in the under-provision of some public goods and services; high fxed costs in the private sector; and high trade costs, which can be exacerbated by weak trade-related infrastructure.[22] The Task Force Report also identifed the challenges experienced by small states in accessing fnancial markets, including creditor reluctance to invest in differentiating among small states.

The challenges in building and fnancing infrastructure in small states are also considered in detail by Bond et al. (2012). The authors provide a detailed examination of the challenges facing small states in developing infrastructure, illustrating that these include high transaction costs, fnancial sector impediments – domestic bank and capital markets are usual under-developed and ill-prepared to channel domestic savings for local governments; lack of project development capacity; a lack of credit history; and cost recovery challenges.[23]

20 Small States: Meeting Challenges in the Global Economy. Joint Task Force Report of the Commonwealth Secretariat and the World Bank (2000).

21 Cordina, G. (2008). The Macroeconomic and Growth Dynamics of Small States, Small States: Economic Review and Basic Statistics, Volume 12. Commonwealth Secretariat.

22 Macroeconomic Implications for Small States and Implications for IMF Engagement. IMF, 2013.

23 Bond, D. Platz, D. and Magnuson, M. ‘Financing small-scale infrastructure investments in developing countries’ Economic and Social Affairs, DESA Working Paper No. 114 (2012).

As a consequence, small-scale projects, which may be adequate to serve some of the infrastructure needs in small states, often receive insufficient attention. For example, the World Bank estimates that $1.1 trillion in annual infrastructure expenditure is needed in developing countries through 2015. However most finance has been directed towards large-scale projects where large multilateral development finance institutions tend to focus their financing on large-scale projects that exceed $30 million.

Bond et al. offer several suggestions to address these challenges in small states, inter alia the use of pre-funded pension plans and whole life insurance policies where these instruments and markets have developed, as a potential source of long term financing for infrastructure. Since payments from these funds occur over a long term, they are highly predictable and thus should be invested in long term assets such as infrastructure which in turn can provide long-term returns. A further option comprises a carefully calibrated pooled project finance approach combined with technical assistance and credit enhancements as a means to attract financing from domestic banks and institutional investors. Donors can play a catalytic role by providing technical assistance to develop projects and credit enhancement to attract commercial financing. An illustration of this is the UNCDF Local Finance Initiative, in terms of which local governments work with donors and private sector companies to identify and put together bankable infrastructure projects that can be financed by local banks and capital markets on a non-recourse basis. This approach avoids increases in municipal debt and shares project risks with the private sector.

Elsewhere and specifically in the case of small island states, where the costs and risks of projects result in fewer projects attractive to international participation, Yong also offers several suggestions, many of which can be usefully supported through concerted international action.[24] These include strengthened efforts to offer regional projects to promote investor interest among large developers; encouraging the creation of medium-size developers that are appropriate for the scale of projects in small island states; investigating unconventional technological methods to provide infrastructure solutions for countries with small and often scattered populations; and other facilitating solutions. One among the latter comprises modifying multilateral development bank procurement criteria, by lowering minimum entry thresholds in order to open private sector bidding for infrastructure contracts to smaller private sector bidders who have experience of operating local systems in small states.

What can the G20 do? The G20 can urge stronger IFI recognition of the challenges small states confront in financing and building infrastructure; encourage multilateral and regional development banks to establish new long-term financing instruments which better cater to small-scale infrastructure projects; support existing and encourage further new local infrastructure financing initiatives; encourage stronger multilateral and regional initiatives to foster the development of medium- and smaller-scale developers, through modifications to lending and procurement

[24] Yong, H.K. Public-Private Partnerships Policy and Practice. Commonwealth Secretariat, 2010, p67.

rules; and support small states in crowding in technological solutions which can deliver essential infrastructure which is efficient, yet more localised and smaller in scale.

Infrastructure provision in PSMVs is also often limited by a poor or inappropriate enabling environment. This has been clearly recognised in the G20 HLP Report on Infrastructure. In PSMVs, the legal, institutional and regulatory frameworks to support infrastructure financing and infrastructure investment decisions in PSMVs are often inadequate. Yong, for example notes the paucity of legislation to regulate infrastructure PPPs, the absence of regulators to monitor performance and ensure compliance with PPP arrangements, the absence of suitable dispute resolution mechanisms, as well as enforceable property and intellectual property laws.[25]

PSMVs also face Higher Costs and Risks of Project Development. Project development costs are widely recognised as a constraint to expanding infrastructure provision in developing countries. Key challenges include the technical and financial resources for the preparation of feasibility studies, the negotiation of licence agreements and securing land rights.[26] This is indeed an important finding of the G20 HLP Report on Infrastructure.

While these costs are present in any long-term infrastructure project, they can be disproportionately large in low-income countries and small states. The MDB Working Group on Infrastructure estimates that preparation costs for projects in countries with low capacities aggregate approximately 10% of total infrastructure investment costs.[27] Yet in the poorest, smallest and most vulnerable developing countries, where technological adaptation is likely to be needed to address challenges of size, remoteness, where risks associated with policy uncertainties and externalities are significantly higher, where institutional and regulatory capacity challenges are higher than the average for developing countries and where gaps between social and market returns for infrastructure projects may be significantly higher, these project management costs are likely to be higher.

A key challenge for PSMVs is to secure reliable and adequate project management financing and technical support. Several multilateral development banks and regional institutions provide project and programme preparatory technical assistance grants, to help governments identify projects and prepare the necessary feasibility studies.[28] Yet the effectiveness of these facilities can be improved in several ways: by increasing awareness of the facilities among the poorest and smallest developing countries; by expanding coverage of sectors for which the funds are made available; by converting

25 For a detailed summary of some of the causes of infrastructure underinvestment in low-income countries, see Yong, H.K. Public Private Partnerships: Policy and Practice – A Reference Guide. Commonwealth Secretariat, 2010.

26 See Yong, H.K p60. (ibid)

27 The MDB Working Group on Infrastructure (2011). Note that these estimates include costs of design and arranging financial support.

28 For example the Inter-American Development Bank provides a PROPEF loan facility (www.iadb.org), Asian Development Bank (www.adb.org) provides grants for this purpose and the African Development Bank manages a grant fund on behalf of NEPAD for the preparation of regional infrastructure projects (www.nepad.org).

facilities provided by loans and as cost-contributions, to grant funding; and by coupling these with facilities which provide risk capital to fund the early stages of these infrastructure projects, until they have been brought to the financing stage.

What can the G20 do? The G20 can deepen efforts to act on the recommendations of the G20 HLP on Infrastructure; and can call for new grant-funded mechanisms, managed by regional development banks and regional institutions, which more effectively provide both technical and financial capacity to small and low-income countries from conception to financing stages of project development. These mechanisms can also be better and more seamlessly linked to country development strategies, including those elaborated in PRSPs, in national climate change adaptation and mitigation plans in small states and in regional development strategies.

Lack of Affordability. In PSMVs structural underinvestment also arises because poverty limits the willingness and ability of users to pay for infrastructure. Governments and donors typically provide subsidies, revenue guarantees and grants, both to overcome initial hurdle rates for capital investments in infrastructure; and also consumption subsidies. Where low-income status coincides with small economic or population size, these challenges can be compounded; with countries facing insurmountable hurdles in financing, establishing, ensuring effective payment for and maintenance of infrastructure.

The very large infrastructure gaps experienced by low-income countries suggests that there is significant scope for a more concerted international focus on both construction- and post-construction consumption and maintenance-related subsidies from external sources. Several innovative methods have been used to catalyse infrastructure investments and subsidise consumption until tariff levels can be progressively raised. One mechanism, for example comprises bilateral grant funding for initial capital costs. Another comprises the provision of multilateral grant funding, through IDA, to help subsidise a progressively declining share of private operators' costs, as tariffs are progressively increased, based on affordability among low-income earners.[29]

What can the G20 do? For PSMVs, the G20 can press for specific multilateral and regional initiatives which provide reliable and more certain sources of subvention, both for initial capital costs and for consumption costs, for infrastructure provision in PSMVs. This could include recommendations for an increased share of IDA and PRGT resources for these purposes; the establishment of a dedicated, time-bound phase-in facility to subsidise infrastructure services in low-income communities and populations; and expanding the application of climate adaptation and mitigation resources to include phase-in subventions for consumption costs for environmental infrastructure.

Many PSMVs are also acutely susceptible to natural disasters, particularly states and among them, SIDS. This is due both to their geographical location and their small size. These countries are also disproportionately vulnerable to the impacts of climate change. When disasters strike in

[29] An example of the use of IDA credits is provided by Yong, (Ibid, p64)

these countries, economic costs can be disproportionately high relative to economic size, often significant proportions of GDP, bringing macroeconomic instability and damage – and often destruction - of economic, social and environmental infrastructure. Yet these countries lack sufficient buffers, inter alia fiscal space, foreign exchange reserves and access to domestic resources, to absorb the impact of disasters. For many years, these states have also lacked adequate insurance mechanisms which can promptly compensate for financial losses associated with the incidence of natural disasters. This challenge continues for many countries, although more recently innovation is occurring at regional level, to pool and better insure against country risk. To investors, all of these vulnerabilities add further levels of risk, limiting interest in private infrastructure financing and placing the onus on financing on governments which are unable to finance costs of disaster-proofing infrastructure. As noted earlier, the obligation of small states to save more in liquid as well as less productive assets to overcome the effects of shocks also reduces the potential impact of infrastructure investment in contributing to output growth.[30]

There is an expanding need for private financing and provision of infrastructure in PSMVs. Fiscal and macroeconomic constraints, increasing demand for infrastructure services at lower cost and the need for improved quality of infrastructure have precipitated a shift away from historical patterns of public provision of infrastructure, to an increased reliance on private financing and provision. PSMVs have also sought to attract private sources of funding for and supply of infrastructure services, including for energy, water, transport and ICT infrastructure. Typically Public-Private Partnerships (PPPs) have been the most common means of providing such infrastructure; and a large number of Commonwealth and Francophonie developing countries have utilised PPPs as a means to provide essential services including transport, power and water supply. PPPs comprise long-term commercial arrangements for the delivery of public services, where there is a significant degree of risk-sharing between the public and private sectors.[31]

Initially PPPs were treated as convenient mechanism to address fiscal constraints and access private sources of funding for infrastructure, but are now commonly used to increase both the quantity and quality of infrastructure and to deliver infrastructure at lower cost; and to transfer and share risks to the private sector. PPPs in several developing countries, including inter alia in Bangladesh, India, Jamaica, Kenya, Lesotho, Mozambique, Nigeria, Pakistan, Tanzania and Trinidad and Tobago have enabled infrastructure to be brought forward, with infrastructure cost repaid over project lifespans, using a combination of government payments, private debt and equity investment. The use of PPPs continues to expand; and experience in these countries has also shown that project design and implementation are crucial to successful PPPs.[32]

30 Cordina, G. (2008).

31 Yong, HK. (2010), 'Public-Private Partnerships Policy and Practice', Commonwealth Secretariat

32 A detailed examination of the use of PPPs in poor, small developing countries is provided in Yong, H.K. Public-Private Partnerships Policy and Practice. Commonwealth Secretariat, 2010. The volume provides a practical guide to PPP use in PSMVs; and includes a large number of country illustrations of both best- and poor-practice in establishing and implementing PPPs.

Yet there are also several key impediments in implementing PPPs for the purpose of infrastructure development in PSMVs. These include creating the necessary enabling environment, the lack of public capacity in developing and managing PPP projects in low-income countries, securing participation from local and private investors and developers and developing market-friendly projects that are affordable and bankable. The lack of local capital markets, the inability of governments to commit to long-term repayment arrangements through use of fscal resources for infrastructure and the preferences of international investors to have PPP arrangements denominated in foreign currency to match their debt-fnancing, all pose further challenges to the use of PPPs in the poorest and smallest countries. Palmer also notes several further constraints in low-income countries, in mobilising private sector capital for infrastructure. These include the lack of creditworthiness of public sector utilities upon which private infrastructure investments depend; political and regulatory risks that reduce the supply of private capital and increase its cost; exchange rate risks associated with assets that generate local currency revenue with dollar-denominated debt and; acute shortage of investment ready infrastructure opportunities, as well as shortage of developers able and willing to make projects investment-ready[33].

PPPs are also increasing being used as mechanism to promote innovative partnerships between developing countries seeking to expand their infrastructure and promote local supply and value-addition in global supply chains; and transnational corporations. Zambia, for example has expanded public and private infrastructure investment in road and building construction, to serve the domestic mining sector. In turn this has attracted signifcant FDI. And through innovative partnerships with development partners, PPPs have been used as a mechanism to enhance the domestic gains from such FDI. For example a four-year (2013-2017) initiative by the Government of Zambia and UNCTAD seeks to promote the sustainability and competitiveness of the Zambian infrastructure construction industry, linking the industry to global value chains in this infrastructure segment. The initiative works with local institutions, including the Zambia Development Agency to promote joint ventures and PPPs between transnational corporation building contractors and Zambian institutions, including the National Housing Authority and National Pension Scheme Authority, thus enhancing FDI spillovers from domestic infrastructure development.[34]

Further innovation of this nature is needed in low-income, poor and small developing countries; and more concerted international support is also required, to facilitate these countries' efforts to maximise local access to global supply chains in infrastructure.

Urbanisation and the Paucity of Local and Municipal Infrastructure. In the next 20 years, the largest share of global population growth will occur in Africa and Asia, regions which have both large concentrations of poor people and are experiencing very rapid urbanisation. As urbanisation

[33] Palmer, K. (2011) 'Bridging the infrastructure gap', World Finance

[34] Public-private sector partnerships to promote small and medium-sized participation in global value chains. UNCTAD (2013).

intensifies globally, infrastructure demand and need is increasingly concentrating at the urban and city level. Consequently, low-income countries require significant increases in infrastructure services at municipal and local government levels. The Asian Development Bank estimates that by 2030, a half of the region's population will live in cities. Yet financing mechanisms and instruments for infrastructure development, as well as the technical and institutional capacities to develop and maintain essential infrastructure services at local and municipal levels are often the least developed at these levels of government. Co-financing, through regional and national governments, government grants and subsidies contribute to infrastructure funding in many developing countries. But this falls significantly short of demand for services.[35] Many local governments are traditional administrations, lacking strategic management and the means to innovate. Notwithstanding this, many innovative approaches have been used to expand municipal and local infrastructure. A detailed analysis is provided by Alam, M.[36] Several case studies of city and municipal infrastructure financing in Bangladesh, Kenya, Pakistan, Tanzania and Uganda highlight key challenges in securing adequate municipal financing and building efficient infrastructure. These include low levels of private sector participation; limited arrangements for and national constraints on municipal borrowing[37]; gaps in domestic bank financing for infrastructure[38]; limited creditworthiness of municipal borrowing agencies.[39]

Yet there are also many examples of innovation in infrastructure financing and infrastructure of municipalities in PSMVs have limited recourse to local capital markets, are small and often unconnected with major cities and centres of agglomeration, yet can serve significant populations and have large unserved infrastructure needs. They have no access to sources of finance beyond their municipal borders and few internal sources of revenue. To address these challenges, innovative solutions are needed.

Opportunities for PSMVs to augment infrastructure at municipal and local government level may be available, but these require more concerted national and international support. These include the development, with concerted international support, pooled financing arrangements, with the financing requirements of several municipalities and projects combined into a single transaction. Alam provides several examples of the use of pooled fund arrangements to finance local state government as well as municipal infrastructure in India, including the Water and Sanitation Pooled Fund in Tamil Nadu; and water financing projects in the Bangalore municipalities in Karnataka.[40] These projects allowed inter alia for a portfolio of water supply augmentation schemes to be initiated; enabled risk pooling; the achievement of economies of scale for small city projects that cannot individually access capital markets; extended the maturity structure of the municipal bonds eventually issued; and introduced partnership opportunities for credit enhancements, inter alia including a USAID Development guarantee, diminishing in instalments over the period of the facility. These models offer potential for further development; and with careful structuring in a manner which accounts for local needs as well as international support, can be emulated in many poor, small developing country state, municipal and city circumstances.

40 Ibid, pp98-100

4. PSMV Infrastructure Gaps and Initiatives – Regional Evidence

There are very significant infrastructure gaps for PSMVs. These are being driven by demographic, environmental, structural, financial and other factors. There are also equally large and rising infrastructure financing gaps. Data constraints limit the provision of detailed and specific country analysis. Instead, the literature typically focuses on infrastructure gaps and infrastructure gaps at a regional and global level. The following section briefly examines empirical evidence of these gaps in the three regions in which PSMVs are most significantly concentrated – Sub-Saharan Africa, the Caribbean and the Pacific.

Africa

The Commonwealth and Francophonie includes 32 of Sub-Saharan Africa's 46 developing country members. The vast majority of these countries, particularly those which are small, landlocked and which do not enjoy significant extractive industries, confront very significant challenges in both attracting and financing infrastructure investment. Yet infrastructure is crucial for these countries' growth and development. Infrastructure plays a central role in improving competitiveness, facilitating domestic and international trade, and enhancing the continent's integration into the global economy.[41]

Sub-Saharan Africa faces major infrastructure needs. And estimates of the regional infrastructure gap vary. For example Griffth-Jones et al estimate that over the next ten years, Africa's total infrastructure investment needs will exceed $250 billion. (Griffth-Jones et al., 2010). Moreover the authors find that if the continent is to reach the MDGs by 2015, it needs to achieve an average annual growth rate of over 7%, which corresponds to annual estimated new infrastructure and maintenance requirements of about 9% of GDP, or $40 billion between 2005 and 2015.

The AFDB estimates the financing requirement to close Africa's infrastructure deficit amounts to USD 93 billion annually until 2020. Most funding is required in power (generating electricity capacity and access) and transport (density of paved and total road network), but with needs also in water supply and sanitation, ICT (density of fixed and mobile phone lines, and internet connection), and irrigation (AICD, 2008: 8). Of this, $45 billion needs to be financed, which could drop to $31 billion if inefficiencies relating to management, subsidies and tariffs were eliminated.42 The continent faces higher access costs that most developing countries. Rail networks in particularly are the least developed in Africa: thirteen sub-Saharan countries have no operational rail networks, while spatial density of operational rail ranges from 1 to 6. Moreover while there are 64 operational ports, many experience severe capacity and performance challenges.

[41] Infrastructure Deficit and Opportunities in Africa. The African Development Bank Group Chief Economist Complex, Economic Brief Volume 1, September 2010.

[42] Ibid.

Suggested new sources and financing instruments to address infrastructure shortfalls, for example the implementation of commodity-linked bonds. [43]

Palmer suggests the regional infrastructure deficit to be more than $45bn per annum, with state-owned utilities and ODA unable to mobilise sufficient capital to fill the gap; and private sector capital urgently needed. Challenges for the latter include the creditworthiness of public sector utilities upon which private infrastructure investments depend; political and regulatory risks; exchange rate risks and an acute shortage of investment ready infrastructure opportunities, as well as a shortage of developers able and willing to make projects investment-ready.[44]

Elsewhere Kingombe notes that Government budgets and ODA have been insufficient to cover the scale of investments needed to reach the MDG for access to improved water sources, whose cost has been estimated to be $16.5 billion a year. Investment in water infrastructure has fallen as private investment has failed to materialise, in significant part due to affordability, with water providers requiring to cover most of the cost of operations and routing maintenance through user charges, while the latter little ability to pay. Africa also faces a power sector financing gap of approximately $23 billion a year, with spending only one quarter of that required to provide the necessary infrastructure. For these reasons, the New Partnership for Africa's Development (NEPAD) is promoting an integrated, continent-wide energy strategy, linked to national policies for growth approach; and the AfDB has developed a short-term action plan on regional infrastructure. At the same time, several new sources of finance are emerging for African infrastructure, including public private partnerships; private sector banks; development finance institutions; Sovereign Wealth Funds; emerging powers and the G-20, as well as commodities – for-infrastructure concessional financing mechanisms. The significant role played by China as a major partner supporting infrastructure development in Sub-Saharan Africa, particularly in a number of resource-rich countries is also noted by Kingombe as well as many other commentators.[45]

Other emerging new sources of infrastructure finance are cited by Brixiova et al. and include local and foreign currency bonds, private equity, sovereign wealth funds and emerging Southern partners.[46] Since infrastructure investments on the continent are often perceived as 'high risk', the authors propose that mitigation instruments adapted to Africa's context, such as partial credit guarantee with concessional resources, should be employed.

Further challenges for several African developing countries in expanding infrastructure relate to other geographic and demographic characteristics. For example 15 of 53 countries in Africa are

43 Ibid

44 Palmer, K. 'Bridging the infrastructure gap', World Finance

45 Kingome, C. (2011) 'Mapping the new infrastructure financing landscape', ODI Background Note

46 Brixiova, Z., Mutambatsere, E., Ambert, C., Etienne, D. (2011) 'Closing Africa's Infrastructure Gap: Innovative Financing and Risks', The African Development Bank Group Chief Economist Complex, Volume 2, Issue 1

landlocked and the population densities in the continent's interior are low and have very low purchasing power, which make infrastructure investments and maintenance very expensive (Goldstein and Kauffmann, 2006).

The World Bank estimates the region has an infrastructure financing gap of approximately US$31 billion per year, with additional systemic inefficiencies draining some US$17 billion a year. The Bank notes that this infrastructure deficit cuts per capita growth rates by 2 percentage points annually.[47] The Bank has also developed an extensive regional infrastructure plan for 2012-2015, with a strong focus on PPP promotion, for example two joint IDA-IFC rural electrification diversification, limited access to affordable sources of long-term infrastructure finance and capacity and institutional constraints.

Yet there are several successful Caribbean regional infrastructure initiatives; and both the Caribbean Development Bank and the World Bank Group have significant infrastructure investment programmes in the region. The World Bank Group's Regional Infrastructure Plan (FY2012-2015) focuses on "green and inclusive growth" with projects, knowledge products and advisory services that are socially and environmentally sustainable, The IFC expects to deliver 25-30 projects annually over FY12-14, with IFC own account volumes of US$650-750 million and an additional US$500- 600 million anticipated in mobilization. A key focus for infrastructure comprises energy and transport sector investments in Jamaica and a sub-regional focus on Central America.

Another programme is the **Caribbean Renewable Energy Development Programme (CREDP)**. This is a joint project of CARICOM and the German International Cooperation GIZ, formerly GTZ. The programme was launched to demonstrate and strengthen the ability of Caribbean countries to mobilise investors within the energy sector to shift from conventional energy investment towards renewable energy investment. This shift will contribute to changing the national energy mix of Caribbean countries towards the increased utilisation of renewable energy sources and should result in an increase in the percentage of RE based electricity generation; reduction in GHG emissions; reduction of the dependence on imported fossil fuels; the creation of jobs in the energy sector (manufacturing, supply, installation and after sale services); and the mobilisation of financing from local commercial, regional and international development banks. CREDP is financed by the German Federal Ministry of Economic Cooperation and Development BMZ.

CREDP has 13 participating countries of which 11 are commonwealth countries. To increase the outreach of the project and to take advantage of synergy effects between different organisations active in the Caribbean energy sector, the project cooperates with different regional partners like the association of Caribbean Electric Utility Service Corporations - CARILEC (St. Lucia), the Caribbean Energy Information System CEIS (Jamaica) and the Organisation of Eastern Caribbean States (OECS) Secretariat (St. Lucia). The latter two organizations are mandated to provide support in the energy sector for sustainable development in the Caribbean region by CARICOM governments and the former is a private sector representative entity acting on behalf of energy investor interests that must keep abreast with developments in the industry.

The Caribbean Regional Communications Infrastructure Programme is a World Bank project which seeks to increase access to regional broadband networks and advance the development of Information and Communication Technologies (ICT) enabled services industry in the Caribbean Region. The project was approved in May 2012, with a closing date forecasted for February 2017 and has a commitment amount of $25.00 million. Financing is provided by IDA and the IBRD. The package includes a US$3 million grant to the Caribbean Telecommunications Union (CTU) to coordinate the regional program; a US$10 million credit to Grenada; a US$6 million credit to Saint Lucia; and a US$6 million credit to Saint Vincent and the Grenadines[49]. The programme is in its first phase of a 10-year Information and Communications Technology (ICT) programme. The first phase will focus on Grenada, Saint Lucia, Saint Vincent and the Grenadines, with other Caribbean countries joining at a later stage.

Pacific Small Island States

A substantial number small island developing states are located in the Pacific. These countries confront some of the most trenchant and difficult challenges in securing infrastructure and infrastructure financing. This is due inter alia to small economic and population size, remoteness, institutional, policy and human resource constraints, including inter alia project preparation capacity, limited access to sources of finance, limited diversification and challenges in accessing new technologies.

There are however several major regional initiatives to coordinate policy action and integration at a regional level; and to augment infrastructure. **The Pacific Plan for Strengthening Regional Coordination and Integration** sets out priority initiatives under four inter-related goals – economic growth, sustainable development, good governance and security. Activities, including infrastructure projects, are being pursued through partnership between member countries, regional agencies and institutions, development partners.[50]

A key regional organisation supporting development, including infrastructure, comprises the **Council of Regional Organisations in the Pacific (CROP)**, which serves 27 small island states and territories. Similarly, a **Pacific Regional Infrastructure Facility (PRIF)** covers 12 Pacific island countries and supports five economic subsectors: energy; telecommunications; road, aviation, and maritime transport; waste management; and water and sanitation. The multi-partner investment coordination and technical assistance mechanism has so far assisted Pacific Island countries to improve roads, ports and transport systems; support reliable energy and communications infrastructure; and improve their water, sanitation and waste management systems. Partners include the Asian Development Bank, Australia, New Zealand, the European Commission, European Investment Bank and the World Bank Group.

A further fund supporting short-term development initiatives is the **Pacific Islands Forum Smaller Island States Development Fund**; while a significant regional organisation which serves inter alia a major coordination role for Pacific SIDS in developing sustainable environmental policies and securing long-term financing for climate change is the **South Pacific Regional Environment Programme (SPREP)**. SPREP is, together with UNDP, the implementing partner of the **Pacific Adaptation to Climate Change (PACC)** project, funded by the GEF and the Australian

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49 The Caribbean Regional Communications Infrastructure Programme (WB)

50 See www.forumsec.org

Government (AusAid). The PACC project comprises 14 member countries and contributes to addressing the impacts of climate change in Pacifc SIDS. Recent examples of infrastructure programmes comprise a road construction programme in Vanuatu and seawall infrastructure in Samoa.[51]

Other initiatives include programmes by the World Bank, the Asian Development Bank and bilateral initiatives inter alia including through Australian Aid. For example, the World Bank's Regional Infrastructure Plan seeks to contribute to activities needed to expand access, including fnding low-cost options, exploring new solutions for off-grid electrifcation, making better use of a proven entity (such as national and regional distribution utilities), making the supply chain for petroleum products more effcient ,especially in Pacifc Island countries; supporting fuel switching from solid fuels to cleaner burning fuels where the latter are affordable and main-streaming advanced cooking stoves. The Bank works in close collaboration with AusAid in some programmes, inter alia in programmes to scaling-up of access to clean sources of household energy.

Deepening Intra-Regional Collaboration and Risk Sharing

There are several collective initiatives to Promote Developing Country Infrastructure. Collectively these are promoting inter-regional collaboration and risk sharing. Many such initiatives support infrastructure development in PSMVs. Some are initiated and owned by regions themselves. Others are the product of consortiums, including both public and private interests. All provide important channels for augmenting developing country infrastructure; and should be further strengthened to facilitate their support for infrastructure in PSMVs.

For example the **Infrastructure Consortium for Africa** was launched at the G8 Gleneagles Summit in 2005 and seeks to encourage, support and promote increased investment in infrastructure in Africa from public and private sectors. It is a tripartite relationship between bilateral donors, multilateral agencies and African institutions. In 2011, ICA members enlarged membership to include all G20 countries. Its primary focus is collaboration between stakeholders, contributing to the removal of technical and policy blockages to infrastructure projects, to the facilitation of regional infrastructure programmes, and to improved understanding of the sector through better information and communications.

Another group with a similar objective is the **Private Infrastructure Development Group (PIDG)** which mobilises private sector investment to assist developing countries in providing infrastructure vital to boosting economic growth, and combating poverty. PIDG has created a number of facilities to use donor funds in a catalytic way: the **Emerging Africa Infrastructure Fund**, a $600 million debt fund that makes dollar-denominated loans to support infrastructure investment in sub-Saharan Africa for example SeaCom cable in East Africa: **GuarantCo** – a credit guarantee facility which provides partial risk guarantees to support local currency loans, and capital market issues to fnance and infrastructure investment in low-income developing countries; and **InfraCo Africa** –

51 See www.sprep.org/climate-change

a project development company that invests funds in very early stage development to reduce front-end costs and risks, mobilise debt finance and sell infrastructure businesses to private sector equity investors at financial close[52].

As more recent conglomeration is the **International Development Finance Club (IDFC)** which is a group of nineteen development banks of national, sub-regional and international origin. Commonwealth members include the Development Bank of Southern Africa (South Africa) and the Small Industries Development Bank of Indian (India). The IDFC is focusing its activities in 2012 on climate finance and access to clean sustainable energy sources. Green finance includes a wide range of environmental objective that are linked to infrastructure projects such as water sanitation. The outcomes of a mapping paper carried out by the IDFC showed that green finance of IDFC members is significant at $89 billion in 2011. The IDFC's development banks have the capacity and commitment to channel volumes of finance into green projects and finally that the contribution of IDFC members to global green finance flows is substantial[53].

The Global Digital Solidarity Fund (DSF) was established in 2005 as an African initiative to promote an inclusive information society and reduce the digital divide between developed and developing countries by providing ICT and internet access to vulnerable communities, developing skills, and installing connection infrastructures and equipment. This is in line with the 8th goal of the Millennium Declaration. Currently, DSF is financing 30 projects in developing countries supporting local associations in their efforts to deal with AIDS, telemedicine, community digital facilities, recycling of electronic waste, digital facilities for schools, etc. It is quite small, allocating over $30 million to 300 grantees since 2003 (OECD, 2009). DSF concentrates on community-based projects within the framework of a given national policy rather than large-scale infrastructure projects. Eligibility (based on UN classification) means that 60% of DSF resources go to least developed countries, 30% to developing countries, and 10% to developed or transition countries.

Given the scale of need and dearth of resources in PSMVs, deepening intra-regional collaboration and risk sharing should be promoted further. Many PSMVs share common risks, even though they are located in several different regions. Plurilateral and multilateral institutions and development partners can play a stronger role in fostering the sharing of best practice and knowledge, helping pilot financing initiatives which may be working well in one region, in several others. Where feasible and acceptable to all members, plurilateral institutions, both among advanced and dynamic emerging economies, for example the G20, as well as those with large numbers of PSMVs can also explore the opportunities and other externalities arising from common membership, to pool resources and risk in promoting infrastructure development and infrastructure financing in PSMVs. Potential examples include inter alia the G20 membership itself, by and emerging new development banks and other similar new long-term financing institutions, plurilateral institutions and new facilities by IFIs and the MDBs.

[52] Palmer, K. (2011) 'Bridging the infrastructure gap', World Finance

[53] Hohne, N., Khosla, S., Fekete, H., Gilbert, A. (2012), 'Mapping of Green Finance Delivered by IDFC Members in 2011', IDFC

5. Enhancing PSMV Infrastructure: Ten (among many) Opportunities

With significant constraints from traditional sources of financing for infrastructure, PSMVs have required to identify and establish new and innovative sources of financing. There are an enormous range of potential sources of innovative finance for development.[54] This brief paper does not seek to cover all opportunities, but rather a selected number of these, which, with stronger international support, can significantly expand the availability of infrastructure financing in these countries. These opportunities, which are briefly detailed further below, include:

i. diaspora bonds;
ii. local currency bonds;
iii. various forms of risk pooling;
iv. partial-risk, partial-credit and policy-based guarantees;
v. green infrastructure;
vi. green bonds;
vii. counter-cyclical concessional financing for infrastructure;
viii. new sources from reserves, sovereign wealth funds and new development banks;
ix. impact investment; and
x. Output-Based Aid.

There are of course also many other mechanisms and approaches, which are not addressed in this brief paper.

The G20 can play a significant catalytical role, in enhancing inquiry and assessment of opportunities for broader development of these approaches; and in encouraging PSMVs' development partners both to expand best-practices where these exist; and to innovate further.

i. Diaspora Bonds

Diaspora bonds comprise bond instruments issued primarily to migrated diasporas. They are additional and complementary to other sources of funds from migrated diasporas such as remittances and FDI. They present opportunities to raise significant IFD – the World Bank estimates they might raise $5-10 billion per year for Sub-Saharan Africa alone. Commonwealth and Francophonie developing countries can benefit significantly from this mechanism if more broadly applied, as many members have sizeable diasporas, including in the USA, Canada, Europe, the Middle East, and South Africa. Elsewhere UNCTAD provides a detailed examination of sources of capital for LDCs through the resources of migrated diasporas.[55]

[54] For example see Reference Manual on Innovative Financing For Development (2013) Forthcoming, Commonwealth Secretariat. The manual focuses specifically on the challenges and needs of PSMVs. The manual covers a wide range of options for innovative financing for development and includes practical opportunities and challenges for expand IFD where best practices already exist, either in country or at a regional level.

[55] The Least Developed Countries Report 2012. UNCTAD.

Diaspora bonds offer many benefits which render them appropriate for financing long-term infrastructure in PSMVs. They can tap into existing stocks of wealth and can be used towards large development-related projects requiring long-term finance; they offer a stable longer-term finance to national governments; there is a strong element of national ownership; revenues raised may be channelled towards development goals in line with a national development plan; diaspora investors may also be less susceptible to currency risk (Ketkar and Ratha 2009, 2011 and Shimeles 2010) and owing to superior knowledge, implying smaller asymmetries of information, less affected by other risks that might deter non-Diaspora, or add to premium.

Although not new their use remains limited. Israel has raised $25 billion mainly for infrastructure, and India $11 billion for economic purposes. Targeting its diaspora in Australia, Greece issued a bond in 2011 aiming to raise $3 billion to help address its debt crisis. Nepal and Ethiopia have issued bonds for infrastructure with mixed results. Other issuing countries are Sri Lanka and South Africa. Commonwealth members Bangladesh[56], Grenada, Kenya, Nigeria and Uganda are also examining the possibility of issuing diaspora bonds. Ethiopia issued bonds to help finance hydro-electric power projects; Nigeria has indicated that revenues from its proposed bond would be tied to specific national priority projects in the real sector or infrastructure (Vanguard 2012): and Bangladesh proposes utilising proceeds inter alia to fund Government infrastructure projects including PPPs, thereby enabling government to help pay off debts and other costs (The Independent 2011).

The savings of migrated diasporas are very significant indeed; yet this potential source of long-term financing for infrastructure remains significantly untapped. One study estimate the diaspora stocks of Caribbean countries and annual diaspora savings, with the stock of the Caribbean diaspora estimated to be around 3.5 million people or more than one-fifth of the region's population; while preliminary estimates place the annual savings of the Caribbean diaspora at over US$10 billion or more than 15 percent of the region's GDP.[57] Yet despite this potential, the authors note that no Caribbean country has thus far issued a diaspora bond.

The authors consider the implications of issuing a diaspora bond for Guyana, a country with significant natural resources, a significantly strengthening macroeconomic outlook and significant infrastructure financing needs and with one of the largest migrated diasporas, as a share of total population, in the world. They estimate the annual savings of the Guyanese diaspora at US$475 million in 2009, a level which could finance more than two-fold the country's external current account deficit; and suggest mitigating any residual country through a partial risk guarantee from the World Bank, International Development Association (IDA), or the Multilateral Investment Guarantee Agency (MIGA). 1 Preliminary estimates suggest that a US$100 million partial risk

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[57] Rambarran, J. and P. Ramlakhan. Diaspora Bonds and Caribbean Economic Development. In Global Diasporas and Development: Socioeconomic, Cultural and Policy Perspectives. Sahoo, Sadananda and Pattanaik, B.K. (Eds). Springer Publishing, forthcoming - August 2013.

guarantee from IDA to guarantee such diaspora bonds for 10 years, on an annual rolling basis could catalyse at least US$600 million of additional private financing for Guyana.

How can the G20 help? The G20 can facilitate the promotion and use of diaspora bonds in PSMVs inter alia by encouraging global and regional development institutions to support the financing of market assessment, development and other start-up costs in preparing PSMVs to issue diaspora bonds; and to more concertedly link diaspora issuance with the provision of guarantee and other products to mitigate country risk. Regional development banks can also support the promotion and issuance of diaspora bonds, through support for development and operational costs in managing issuances and by developing instruments which leverage resources generated from these instruments.

ii. Local currency bonds

Local currency bonds represent a further and hitherto inadequately tapped source of finance for PSMV infrastructure. Developing countries can and do issue local currency bonds to raise finance for key development sectors, eliminate currency risk and vulnerability to adverse external shocks and develop domestic capital markets. Recent innovations include selling local currency bonds in international capital markets, and raising local currency financing for long term infrastructure projects. A number of Commonwealth and Francophonie developing countries have been issuing such bonds. In the wake of the global financial and economic crisis for example, Kenya successfully issued three longer term infrastructure bonds with a total value of $1 bn to finance energy, water and roads development. This has additionally encouraged corporate bond issues by private and state-owned companies.

A number of regional and multilateral development banks have also supported local currency bond issues by low income countries. The IFC, whose bonds are rated triple-A by Moody's and Standard & Poor's, issued its first local currency bond in sub-Sahara Africa in 2006. Money raised from the sale of a 22 billion CFA franc five-year bond was used to provide financing for local companies in the West African Economic and Monetary Union (WAEMU) member countries. The IFC has committed to issuing over $1bn in local currency bonds over the next 10 years in Ghana and the eight member countries of the WAEMU. The IFC has also gained approval to issue local currency bonds in Nigeria and Kenya. These bonds will be sold to both domestic and international investors and aim to support infrastructure and SME financing, and assist local capital markets to meet international regulatory standards[58].

Many PSMVs have low or no sovereign credit rating, rendering support from multilateral banks crucial to success in raising funding from this source. Under the Ghana / WAEMU scheme for example, the IFC will issue over $1 billion equivalent in bonds in Ghanaian Cedis and CFA francs over 10 years. These will be sold in markets to domestic and foreign institutional investors. IFC bonds have AAA ratings from Moody's and Standard & Poor's, making them more attractive to

58 http://www.businessdayonline.com/NG/index.php/markets/bond-market/35911-ifc-to-issue-its-first-naira-bond

investors. Tax concessions and other financial and social incentives can also be used to attract investors. For example, in Kenya bond holders can use bonds as collateral to access bank loans, and are exempt from tax on interest.

How can the G20 help? The promotion of domestic bond finance has been identified by the HLP as an important avenue for augmenting infrastructure financing. However thus far these instruments have not yet been widely accessible to PSMVs. The G20 can promote enhanced use of local currency bonds in PSMVs, inter alia by encouraging both a significant expansion of MDB support for these instruments; and a more effective instrument and policy support structure to facilitate the development and subsequent liability management of these instruments in PSMVs.

iii. Risk Pooling

A further innovation comprises **risk pooling**, allowing for the spreading of infrastructure preparation, construction and operating risks across several infrastructure projects, at municipal, national and regional levels. Risk pooling arrangements can be particularly useful in addressing the challenges of small states, particularly in the Caribbean and the Pacific. Many LICs and small states can benefit from an escalation in international support for the funding for these innovative mechanisms, as they contribute to reducing risks associated inter alia with replacing infrastructure. Yet despite these advantages, risk pooling remains poorly developed and utilised in PSMVs; and poorly supported internationally.

Risk pooling can also be applied in a regional context to multiple national infrastructure projects within a single region. Some early efforts are being made, both in the Caribbean and the Pacific, to pool green infrastructure project risks at regional level, but these require stronger and more facilitative international support. And thus far, there has been no comprehensive development of these specific mechanisms for PSMVs.

Risk pooling arrangements are most frequently used to **finance the consequences of catastrophic events**. These mechanisms offer protection when catastrophic events destroy assets, including infrastructure. Such mechanisms are particularly valuable for PSMVs which are particularly prone to severe weather conditions and natural hazards, for whom single events can have extraordinarily large economic, social and financial consequences. One particular facility which is proving valuable to a broader set of small states and which may offer substantial lessons of best practice for members of the association in other regions comprises the **Caribbean Catastrophe Risk Insurance Facility**. The facility reduces the cost of insurance premiums insuring against catastrophic risk. It is owned, operated and registered in the Caribbean for 16 participating Caribbean governments, to limit the financial impact of hurricanes and earthquakes by quickly providing short term liquidity. CCRIF is supported by a multi-donor Trust Fund comprising two Commonwealth members and an overseas territory, Canada, the UK and Bermuda, as well as the EU, World Bank, France, the Caribbean Development Bank and Ireland. Membership fees are paid by participating governments. The facility paid out $1 million to Dominica and St Lucia in 2007; $6.3 million to Turks & Caicos in 2008, and $7.75 million to Haiti in 2010 in response to catastrophic events experienced by these countries (CCRIF).

Similar risk pooling initiatives are less advanced in the Pacifc, although recent efforts have been made to strengthen disaster risk management in individual Pacifc SIDS as well as regionally. Some countries have sought to establish Climate Change Adaptation Trust Funds to pool, manage and distribute funding for disaster risk reduction and climate change activities. However a substantial regional programme, supported by international development partners is required to address the scope and scale of need in the region.

How can the G20 help? The G20 can facilitate a closer examination of the opportunity for MDBs and other development partners to more actively and more substantially support risk-pooling arrangements, in environment and other infrastructure sectors; and can request comment from development partners on the merit and feasibility of developing wider regional – and where feasible multi-regional facilities - which pool and spread both infrastructure risks and in the case of catastrophic risk insurance, insurance risk for the replacement of affected infrastructure.

iv. Guarantees

The expanded use of guarantees can signifcantly contribute to the provision of long-term fnancing for infrastructure in PSMVs. Guarantees aim to encourage private sector investment by mitigating risks that are of concern to lenders and achieving better leverage, maturities and fnancing costs. They cover against a wide range of risks. They are available to both low and middle income countries and usually require a counter-guarantee from the borrowing government. At present, however, guarantees to low-income countries mainly target power projects.

A range of guarantees are provided by the World Bank, AfDB, AsDB and IADB. These include: **Partial Risk Guarantees (PRG)** to ensure payment if a government or public entity fails to perform its contractual obligations for a private-sector project; **Partial Credit Guarantees (PCGs)** which cover private lenders against all against all risks for a specifc period of the debt term for a public investment. They are designed to lower the cost and extend the maturity of debt; and **Policy Based Guarantees (PBGs)** cover a portion of debt service on a borrowing (loans or bonds) by sovereign government from private foreign creditors in support of agreed structural, institutional, and social policies and reform

As of end-2011, the World Bank had approved 28 guarantees representing $ 1.4 billion exposure, which have leveraged $12 billion of private resources for projects worth $28 billion (World Bank). A third of these have been issued to Commonwealth-based projects in Bangladesh, Botswana, Ghana, Kenya, Mozambique, Pakistan, and Uganda. Of these, Uganda has received three (one of which is joint with Kenya), and Pakistan two. The guarantees have targeted mainly power projects (6), followed by gas (2) and trade and transport. AfDB has approved guarantees in Cameroon and South Africa (Noman 2011), and the AsDB and IADB also offer guarantees.

Offcial agencies and private institutions are also considering setting up global or regional guarantee facilities to support infrastructure projects in developing countries. GuarantCo for example, established by a bilateral donor group Private Infrastructure Development Group (PIDG), offers partial guarantees for debt of private infrastructure projects and companies, public utilities and municipalities[59].Guarantee facilities can be established to support several small projects in the same sector. Multilateral and bilateral agencies have helped countries set up guarantee facilities by providing seed capital or contingent credit to the government. In Ghana IDA and the IFC are developing a local currency PCG programme to encourage local banks to lend to SMEs. The case study below shows how Kenya is using World Bank Partial Risk Guarantees to enhance electricity supply and access.

The Kenya Private Sector Power Generation Support Project

This project aims to enhance the supply of reliable power to households and businesses by mobilising private sector fnance. The World Bank provided US$166 million worth of Partial Risk Guarantees to reassure private investors about the state-owned electricity utility and its obligations towards them, with helped to leverage total fnancing of US$623 million, including US$357 million in private sector investments and commercial loans.

The programme is in line with the Government's *Vision 2030*, which seeks to promote economic development, growth and competitiveness, and create jobs, included in which is the target of 40% energy access by 2030 along with increased electricity generation capacity.

The IDA Partial Risk Guarantees provide liquidity by backstopping three months of Kenya Power's ongoing payment obligations, and this is supported by MIGA political risk insurance for the equity and commercial lending. IFC is contributing towards long-term loans.

Source: World Bank 2012.

What can the G20 do? A key challenge is to broaden the acceptable range of application for these guarantee in PSMVs, beyond the fnancing of energy infrastructure, to fnance environmental, water, ICT, and other forms of infrastructure. The G20 can play an active role in encouraging the expanded use of guarantees; and can support greater IFI innovation and stronger use of IDA partial risk guarantees and MIGA political risk insurance in infrastructure projects in PSMVs.

[59] Current PIDG members include: the UK Department for International Development, the Swiss State Secretariat for Economic Affairs, the Netherlands Ministry of Foreign Affairs, the Swedish International Development Cooperation Agency , the World Bank, Irish Aid and the Austrian Development Agency .

v. Green Infrastructure

PSMVs are among the most climate vulnerable countries in the world and have a disproportionate need for infrastructure which can help them adapt to and mitigate the consequences of climate change. They are also disproportionately affected by global environmental challenges, including increasing resource scarcities which are changing the cost of strategic imports and affecting trade and investment fows which are important to their growth and development. Yet PSMVs are contributing least to the problem. These challenges are particularly acute in SIDS.[60] Due to their size or the structure of their economies, many are well-placed to develop green infrastructure and implement policies that reduce ineffciencies, enhance growth and foster structural transformation and innovation. Technology transfer and fnancing to support resource effciency, a resilient and competitive economy and the implementation of renewable energy technologies which can deliver signifcant development dividends, address energy poverty and help to reduce risks from climate change, are all essential elements of an effective green growth strategy.

For these countries, enhancing opportunities to promote green infrastructure investment can therefore offer multiple advantages: generating new sources of growth and employment, particularly amongst youth and women; increasing resource effciency; transform energy policy and energy infrastructure, by shifting to lower-carbon and carbon-neutral technologies; promoting sustainable consumption and production patterns and renewable energy supplies; addressing structural vulnerabilities to climate change; altering the structure of production and accelerate the diversifcation of economic output; and securing niche markets in the supply of new green technologies. All of these opportunities can also offer further, often second-round economic and social advantages, inter alia reduced environmental degradation, improved health standards, improved productivity, sustainable new jobs and a widening of the export base.

Effectively building green infrastructure in these countries can also reduce the increasing risks from deeply inter-linked challenges related to climate change, demographic change, food security, water availability, environmental degradation, and energy provision for all. While the major immediate infrastructure needs for industrialised countries and emerging markets can often be on investments in resource effciency and consumption and production patterns, for many PSMVs, poverty reduction and investment in the natural resource base of the economy are often the primary objectives. At a time of sharp fscal constraints, PSMVs are challenged to fnd the necessary investment to restore and expand natural environments and to effectively capture their true value. For these countries, technology transfer, infrastructure and investment frameworks to support green growth and skills become driving factors of success.

And green infrastructure in PSMVs can contribute directly to employment and other macroeconomic objectives. For example, it has been estimated that a shift to sustainable

60 The UN notes that “the vulnerability of SIDS has worsened over the last two decades, primarily because of high exposure to external shocks including adverse impacts of climate change and more frequent and intense natural disasters, as well as the fuel, food and fnancial crises, combined with inadequate international support” (UN 2012).

agriculture could increase global employment by 4%, and increased forest conservation and reforestation could increase employment by 20% by 2050. In the same time period, improvements in energy transport and investments in renewable and energy effciency are also likely to offer 10% and 20% increases in employment respectively. SIDS, in particular, have multiple opportunities for renewable energy such as geothermal, solar, and tidal wave power, and developments in this area could change the need for energy imports.

Opportunities to significantly expand infrastructure and release infrastructure finance in PSMVs are possibly most advanced in regard to green infrastructure and a closer international focus on promoting more rapid international action is warranted. For example PSMVs in the Commonwealth and Francophonie have developed extensive experience in promoting green infrastructure and pursuing opportunities for green growth, focusing these efforts on enhancing the value derived from natural resource endowments through activities such as agriculture, fsheries and forestry; and have developed strategies which integrate green infrastructure and green growth initiatives within wider national and regional developmental objectives.

At the **national level**, ***Barbados*** has set its Green Economy approach in the context of wider national policies such as the Sustainable Development Policy of 2006. It draws different policy strands together to explore synergies and promote implementation across these policies by helping to direct investment and funding. In 2007, the national budget allocated a substantial section to 'Green Economy Fiscal and Economic Proposals'. The more recent National Budget for 2011-12 focused primarily on the energy sector and a Renewable Energy Policy. ***Guyana***, with its rich endowment of forest resources, has opted to implement a Low-carbon Development Strategy (LCDS) within the context of its Forest Policy which promotes sustainable forest management, and its Energy Policy which promotes renewable energy and energy effciency. The LCDS is also the major climate change adaptation policy for Guyana, sets out the country's approach to transitioning to a Green Economy and aims inte alia to invest in strategic low-carbon economic infrastructure.

Another example of a national level approach in the Caribbean is ***Dominica's*** "Organic Island" initiative, which is aimed at "Transforming Dominica into an environmentally sound Organic Island: Creating an Enabling Environment for Sustainable Development and Economic Growth." Through this initiative a 10-year Plan is being developed that utilises an ecosystem approach to integrating ecotourism and agriculture as the main drivers of a sustainable development strategy.

For the Pacifc region, all ***Pacific SIDS*** have an overarching development plan and many of these contain a long-term vision with goals, guiding principles and strategic areas (ESCAP, 2010); and Pacifc regional sectoral initiatives include the Pacifc Islands Greenhouse Gas Abatement through Renewable Energy Project (PIGGAREP); the Sustainable Energy Industry Association of the Pacifc Islands (SEIAPI) project to promote energy effciency and renewables through certifcation and communities of practice. Samoa depends on imported petroleum products for much of its energy needs and government has endorsed the Samoa Energy Policy, which seeks to reduce reliance on fossil fuels and encourage the use of renewable energy sources including solar, wind, coconut oil and energy from wastes. The Samoa Development Strategy 2012-2016 aims to increase the contribution of renewable energy services and supply by 20% by 2030. International support is partially provided through Samoa's participation in PIGGAREP, including through renewable energy installations (eg: copra biofuel and solar power projects) and in building capacity related to geothermal, bio-fuel and energy projects. An AsDB-funded project has also supported power factor correction capacitors for the top 20 commercial users in Samoa. Notwithstanding these sound examples of support, Schuster fnds that Samoa's transformation to a green economy is being slowed, inter alia by a lack of fnancing and the high cost of purchasing technology. The national budget allocates most of its fnancial resources on social services and community service obligations for infrastructural development, leaving little for direct infrastructure; and the country relies for the majority of its funding for environmental work on aid, GEF and loans.[61]

The government of ***Mauritius*** in its 2010 budget announced the national initiative "Sustaining Green Mauritius", which lays emphasis on the promotion of sustainable development through fnancial support for energy effciency and the promotion of use of renewable energy. The budget also outlined measures aimed at sustaining a Green Mauritius, with a focus on high technology, low carbon, renewable energy and green quality living; as well as investment in greening the physical infrastructure of buildings. A detailed analysis of the consequences of adopting a green economy pathway, focusing on three sectors – energy, water and agriculture, shows that programme implementation will sustain GDP growth marginally and increase employment; reduce energy and carbon intensity; increase the penetration of renewable energy, avoid fuel import costs, with an economy-wide payback period of about 17 years; reduce road congestion, reduce water stress and enhance food security.[62] ***Ghana*** has multiple green economic policies in place. Since 2005, the country has consulted on how to green the national budget, renewable energy choices, retroft of buildings, energy effciency of infrastructure, support to R&D on environmentally friendly technologies through the Energy Fund, substantial public investment to restore, maintain and enhance stock of natural capital (of forests).

National and sectoral initiatives have helped to channel some fnancing towards green growth priorities; and international organisations and fnancing mechanisms have played a valuable role in partnership with PSMV governments and regional organisations in the development of a range of green growth-related projects, both through catalytic fnancing and technical support. But a stronger collective international effort and focus is required, to bring match fnance and other forms of support with the wide range of existing opportunities

61 Schuster, T. (2012). Transformation of Samoan Economy into a Green Economy. Paper for the Commonwealth Secretariat.

62 Bassi, A.M. and Deenapanray, P.N.K. (2013). A Green Investment Analysis Using System Dynamics Modelling – The Case of Mauritius.

For many countries and regions, initiatives to enhance green infrastructure are also intended to **actively build resilience**, inter alia through infrastructure targeted to regional integration; disaster preparedness; shifting to low-energy and resource effciency and resilient buildings; and actively diversifying the base of economic infrastructure towards services sectors which offer comparative advantages. For example the Commonwealth of Dominica has identifed priority areas for investment, i.e. organic agriculture, tourism, green industrialisation and renewable energy as part of its green growth strategy (see box below). Other Commonwealth and Francophonie PSMVs are focusing on investments in buildings, transport, energy, agricultural, manufacturing or waste sectors, and the underlying service sectors which support these. Through enhanced infrastructure in these sectors, some may beneft from productivity enhancements, reductions in energy consumption and moving up the value chain of existing productive activities which all can be viewed as forms of diversifcation. New markets and market shares may also open up for small domestic industries such as organic agriculture or tourism, which may stimulate job creation.

Commonwealth and Francophonie PSMVs offer many examples of advanced preparedness to attract infrastructure investment and finance, with many countries having addressed many of the challenges previously cited as impediments to attracting investment and associated fnance, including costing of programmes and projects, project management capacity, identifcation of sources of fnancing, clearer elucidation of linkages to poverty reduction and contribution to national development strategies and goals. These deserve stronger and quicker international responses. For example the Seychelles has developed its Seychelles Sustainable Development Strategy (2012-2020) (SSDS). The total cost of implementing the strategy is S704m. Key infrastructure programmes are in the areas of climate change ($207m); water, sanitation and waste management ($179m); fsheries and marine resources ($114m); and energy and transport ($96m). Many projects are scheduled and elucidated in the climate change thematic area, including rainwater harvesting, beach restoration, shifts to green energy sources, particularly in the transport sector, which is responsible for 43% of total energy consumption.[63] Government expects to raise approximately 50% of funding required for the SSDS from external sources, similar to its experience with its earlier Environmental Management Plan of Seychelles (2000-2010); and is seeking funding from the World Bank, GEF and donor countries, innovative fnancing instruments including green bonds and debt-for-nature swaps.[64]

vi. Green Bonds

International and regional development banks are issuing green bonds to raise additional fnance for climate change adaptation and mitigation projects, to which developing countries may apply. These differ from diaspora and local currency bonds, the latter which are initiated, owned and issued by the countries themselves. The funds raised are additional as they do not qualify as ODA

63 Government of Seychelles Sustainable Development Strategy, P3.

64 Ancharaz, V. (2012). Political Economy of Transformation to a Green Economy: A Case Study of Seychelles. Paper prepared for the Commonwealth Secretariat.

(OECD, 2011). The bonds target private investors that wish to integrate social and environmental concerns into their investments decisions.

Green bonds are relatively new, but the amounts generated in a reasonably short time are quite significant. The biggest issuer to date is the World Bank Group via the IFC and IBRD, raising over $4 billion since 2008. The issuance in 17 currencies to date suggests this is a growing industry (IFC 2012). The EIB follows with $1.8 billion since 2007, the Asian Development Bank with $0.9 billion, and the African Development Bank with $0.4 billion[65]. The table below presents a couple of examples using bonds issued by the regional development banks.

Issuer	Year	Type	Amount ($ million)	Terms (Years)	Objectives
AfDB	2010	Clean Energy Bond	220	3.5 - 7	Investment in renewable energy sources and infrastructure.
AsDB	2010	Water Bond	640	2 - 3	Improving water quality, management and irrigation.
AsDB	2010	Clean Energy Bond	232	4 - 7	Investment in energy efficiency and renewable energy.

Source: adapted from Climate Bonds Initiative http://climatebonds.net/resources/bonds-issued/

The G20 can support the expansion of issuance of green bonds by the growing range of issuers; and can encourage stronger uptake of these facilities in PSMVs in several ways, inter alia by dovetailing usage with IDA and other concessional instruments.

vii. Counter-cyclical concessional finance

Counter-cyclical (shock-absorbing) financial instruments seek to help countries sustain growth and priority development spending in the face of shocks by providing counter-cyclical concessional finance. They come in the form of Balance of Payments support (IMF), concessional development financing (IDA), counter-cyclical loans under which debt servicing is automatically suspended (Agence Francaise de Development (AFD)), and grants (EU). They have potentially huge advantages in reducing the likelihood of a future debt crisis and costly debt restructurings. Unfortunately, they are not necessarily additional: concessional bilateral loans including countercyclical loans for example, qualify as ODA (OECD 2011b). However, they have significant benefits in helping countries to deal with shocks.

Mozambique and Tanzania have benefitted from counter-cyclical loans piloted by the French, and EU counter-cyclical finance is being targeted at ACP countries. Such instruments could be expanded in a variety of ways. Based on feedback from senior officials from Finance Ministries in

[65] These are the top four issuers. Others include Kommunalbanken AS ($0.4 billion), Nordic Investment Bank ($0.2 billion), and EBRD ($63 million).

Sub-Saharan Africa and Honduras on Counter-Cyclical Loans for example, features that would make CCLs more attractive include a longer fixed grace period of 10 years as well as an additional floating grace period of 5 years. This would be especially useful for infrastructure projects, which only start producing revenues after a long period of time (Griffith-Jones, 2012). Equally important, these loans would become more attractive if scale was larger and thus capable of having greater impact. This would require multilateral and other bilateral donors to introduce CCLs.

viii. Reserves, SWFs and Development Banks in the South

South-South financing is emerging as a growing and potentially very significant source of infrastructure for PSMVs. Foreign exchange reserve holdings in developing and emerging economies reached $6.2 trillion out of a global total of $9.3 trillion in 2010 (IMF). With Reserves levels now often exceeding immediate liquidity requirements, a growing share of these reserves has been directed by governments to Sovereign Wealth Funds (SWF), as they seek investment opportunities which can produce stable yet greater returns, enabling intergenerational savings should current sources of output decline, or in the case of natural resources run out; and allowing countries the ability to moderate the impact of volatile fiscal revenues or foreign exchange receipts linked to trade. Consequently SWF assets have also grown in developing and emerging economies, amounting to $3.5 trillion out of a global total of $4.3 trillion in 2010.[66]

SWFs represent long-term national investment vehicles seeking a return, especially on natural resources incomes. SWF's offer two particularly strong opportunities for developing countries. Firstly, their establishment in developing countries has the potential to pool, invest and leverage resources which have been earned from often recently discovered rich natural resource reserves. Secondly developing countries can seek to attract investment inflows from existing SWFs, which can be encouraged to invest in longer-term development projects, targeting infrastructure, education, climate change, and sustainable technologies (Columbia University, 2010). SWFs can also serve as an appropriate source of funding for development in poorer neighbouring countries.

Several developing country Commonwealth members have established SWFs. Most of these SWFs have been operational for several years, with Nigeria and Papua New Guinea launching theirs most recently in 2011. The largest Commonwealth SWFs are non-commodity related, contrasting with the global trend, in which oil and gas related SWFs have the largest assets.

The box below briefly illustrates some examples of Commonwealth developing country SWFs.

[66] SWF Institute (2012).

Features of Selected Commonwealth Developing Country SWFs

Papua New Guinea's SWF aims to support economic stabilisation and long-term economic and social development by safeguarding the country's natural resource revenues. The SWF Board will manage two funds including a Stabilization Fund and a Development Fund (SWF Institute 2012b).

Nigeria established its SWF as a means to manage the excess profits from its crude oil sales. Its Sovereign Investment Authority will manage three funds including the Future Generations Fund, Nigerian Infrastructure Fund, and Stabilisation Fund, financed monthly from the country's oil and gas revenues. This arrangement replaces the Excess Crude Account, which was established in 2004 to help stabilise the budget (SWF Institute 2012c).

Trinidad and Tobago's Heritage and Stabilization Fund is managed by the Central Bank. The Fund receives money from oil revenues separate to its foreign exchange reserves, and uses them to generate saving and investment income for future generations. This arrangement replaced the Interim Revenue Stabilization Fund which was established in 2000 to help stabilise the budget (SWF Institute 2012d).

Botswana's Pula Fund, established under the Bank of Botswana Act, by contrast is part of the country's foreign exchange reserves. The Pula Fund receives amounts in excess of what is expected to be needed in the medium term. The Pula Fund aims to secure a share of diamond export revenues for future generations by investing in public equity and fixed income instruments in industrialized and developed economies (SWF Institute 2012e).

Foreign exchange reserves allocated to SWFs are used by several developing countries towards economic stabilisation and long term development. Constituting as they do very long term investment vehicles, this presents an important opportunity for these countries to finance the development of their economic, social and environmental infrastructure, to invest in the infrastructure projects of other developing countries and in regional infrastructure. More recently SWFs have also begun contributing to and supplementing resources provided by existing regional and sub-regional development banks in developing countries; and a recent initiative has been launched, to channel a share of SWF assets towards the capitalisation and creation of a new development bank, spearheaded by the BRICS economies. Griffith-Jones notes that a stronger focus on financing and supporting development banks located in developing countries offers many opportunities.[67] These development banks can offer, inter alia: a stronger voice to developing country borrowers and to small and medium sized developing countries than is presently the case in international arrangements; a greater sense of regional ownership and control; more timely and

[67] This proposal largely summarises the ideas presented in Griffith-Jones (2012b).

flexible disbursements of funds; pooling of developing country experience; the ability to overcome information asymmetries and better respond to regional needs such as cross-border infrastructure projects. Such development banks might also be better placed to respond to the needs of SMEs, working with national public development banks and commercial banks.

The author notes that such institutions can be capitalised using SWF resources. With developing and emerging country SWF assets totalling approximately $3.5 trillion, a contribution of 1% of their assets would raise $35 billion towards paid-in capital. Assuming this capital could leverage annual loans to a ratio of 2.4 (based on Latin American Development Bank experience), this could generate up to $84 billion in additional annual lending (more than the total lending of the World Bank, AfDB, AsDB, IADB and EIB to developing economies combined in their peak year of 2009). It should be noted however, that this may understate the capital requirements for smaller or new development banks, as they would not have had the opportunity to accumulate sufficient complementary reinvested earnings which established development banks can leverage in addition to their paid-in capital.

ix. Impact investment

Impact represents a further innovative mechanism to mobilise long-term financing for infrastructure in PSMVs. Impact investment is an innovative subset of both **"socially responsible investment" (SRI)**, and private equity funds, described by JP Morgan as a separate asset class and noteworthy because of the scale of development finance capable of being raised. Impact investment is an emerging and fast growing source of innovative finance for development, including for infrastructure. G20 countries, individually and collectively are well placed to develop this sector further, and to channel development finance to PSMVs. **SRI** utilises traditional vehicles such as unit trusts, investment trusts, pensions and savings schemes. "SRI Funds" screen companies based on positive and negative criteria, which may or may not be development related: those relating to development include fair trade, environmental programmes and energy conservation and pollution. This compares with "ethical investment", which screens based on negative criteria, and with the more innovative "impact investment" that includes a new breed of funds that use positive screening in their investment decisions, and are thus able to combine a focus on commercial viability and social and environmental impact.

Similarly Private equity funds are becoming increasingly part of the core activities of agencies such as the IFC and AfDB and play an important role in financing infrastructure in PSMVs. For example the Commonwealth Private Investment Initiative has raised over $800 million since its launch in 1995 targeting developing regions and small and medium enterprises(SMEs) (see ComSec 2011b for further information). The IFC has raised $800 million for its African, Latin American, and Caribbean Fund of which $600 million is leveraged from other sources. The AfDB has committed $720m in 24 funds since 1997, most of this since 2008 (2011b). It should be noted that mainstream funds focus almost exclusively on commercial viability, with development impact through job creation and improved incomes viewed as an added benefit.

SRI is both large and growing fast, though currently largely confined to advanced economies. The UK market grew six-fold from £1.5 billion in 1998 to £9 billion in 2008 (EIRIS quoted in FE Trustnet); the US market was estimated to reach $3 trillion by 2011; and the European market €1.6 trillion in 2007 (Celent 2007). SRI has become increasingly mainstreamed in the Commonwealth with the establishment of FTSE4Good indices for companies with strong environmental and social records, tracker funds based on the new ethical indices, and SRI-related trade organisations in Australasia, Canada and the UK.

Impact investing has the potential to profitably direct significant finance to market-based solutions to pressing challenges which include a substantial infrastructure component, including sustainable agriculture, affordable housing and healthcare, clean technology, and financial services for the poor. Impact investing also represents a particularly profitable IFD mechanism, with substantial potential for future growth. A JP Morgan survey of leading impact investors reveals that reported return expectations vary dramatically, ranging from out-performing traditional investments, to trading off financial returns for social impact. At present, there is no global estimate of profitability or market size, however potential profits over the next 10 years for a small group of businesses in 5 sectors (housing, rural water delivery, maternal health, primary education and financial services) was estimated at $183-667 billion alone, with invested capital of $4 billion - $1 trillion (JP Morgan, 2010: 9-12). The Acumen Fund provides an example of such an initiative (see box).

The Acumen Fund

The Acumen Fund is a non-profit global fund that invests $300K to $2.5 million in equity or debt with payback or exit in 5-7 years. The investment is accompanied by management support services nurturing the company to scale. Although headquartered in the USA, it has offices in Pakistan, Kenya and Tanzania, and the majority of its investments are in Commonwealth countries (India, Pakistan, Kenya and Tanzania). Its business model focuses on private sector projects that deliver affordable, critical services to the poor; combines a focus on commercial and social returns in the same investment vehicle in an almost unique way; and invests amounts well below the threshold of mainstream funds (including the Commonwealth Private Investment Initiative CPII) thus widening access to a much larger group of SMEs.

Acumen Fund, Commonwealth Secretariat.

x. Output-Based Aid

Output-Based Aid (OBA) **Output-Based Aid (OBA)** represents a potentially significant source of infrastructure finance for many PSMVs; and expanding the pool of donors to the GPOBA can help support similar infrastructure projects across a wider range of PSMVs. OBA applies public funds, through performance-based contracts, to subsidize the cost of delivering basic services and target these to the poor. OBA involves the delegation of service delivery to an operating entity, under arrangements that tie the disbursement of funding to pre-specified services or outputs that are delivered. These can include the connection of poor households to electricity grids or water and sanitation systems, installation of solar heating systems, or delivery of basic healthcare services. Under an OBA scheme, service delivery is contracted out to a third party, usually a private firm, Similarly in **Lesotho** GPOBA has provided grant funding of $6.25 million to support a Public Private Partnership (PPP) for the replacement of the main public hospital in the country, Queen Elizabeth II hospital. The new hospital is expected to provide a signifcant increase in the quality, volume and scope of services for a cost roughly approximating that of the existing hospital. During the construction period of the new hospital, the project will also provide assistance to improve the flter clinics associated with the hospital. The Government's objectives for the PPP are to: (i) increase the access, range and quality of publicly funded healthcare services; (ii) increase the value of Government's current spending for these services; and, (iii) leverage private sector expertise in the management and operation of medical facilities to introduce more up-to-date management, clinical procedures and equipment in Lesotho's healthcare. The new hospital will serve Lesotho's Maseru district, a population of almost 500,000 people.

Conclusions

G20 initiatives to promote infrastructure and infrastructure financing in some of the world's poorest, smallest and most vulnerable countries has proved valuable for several reasons: the G20 focus has highlighted the presence of significant gaps between perceived and actual risk in infrastructure projects in low-income countries, opening opportunities for concerted national and international action to close these gaps. MDBs have been strongly encouraged to expand the share of infrastructure in their overall lending operations, particularly infrastructure which is growth-enhancing. Domestic mobilisation of infrastructure financing has been identified as an important long-term source of financing for infrastructure; and clear steps have been suggested to promote the deepening and widening of domestic markets; and the value of a regional and multi-country focus on infrastructure development has been highlighted, through both of the action steps set out in the G20 DWG's pillar on infrastructure.

Notwithstanding these gains, the G20 can consider several further actions to promote infrastructure and infrastructure financing in developing countries, particularly among PSMVs. For these countries, traditional sources of financing are static, while needs are growing rapidly.

The paper has highlighted nine specific initiatives which offer prospects for enhancing infrastructure and catalysing new and innovative sources of long-term financing in PSMVs; and provided specific suggestions for closer G20 DWG consideration in six of these.

The Commonwealth and Francophonie, representing a large proportion of the world's PSMVs can facilitate G20 consideration of the challenges facing these countries in augmenting infrastructure and closing infrastructure in several ways: highlighting priority challenges, sharing lessons of best practice and signalling potential aspects for more detailed global action.

Evidence of the challenges PSMVs confront in augmenting infrastructure suggest several suggestion for G20 action. The G20 can encourage a stronger focus on specific innovative financing mechanisms which could help PSMVs; can request more detailed analysis from IFIs and others on the dearth of infrastructure in PSMVs; can deepen global action to build an enabling environment for infrastructure provision in PSMVs; encourage a broadening of scope of application for many current mechanisms for infrastructure provision, beyond energy and transport, to include other infrastructure sectors crucial to achieving sustainable development in these countries. The G20 can also seek to foster, in institutions which provide infrastructure and infrastructure finance, a stronger recognition of the importance of distributional gains from infrastructure, including to vulnerable sectors of society, including women, poor as well as rural communities. Finally the G20 can promote a more explicit linkage between developmental objectives and goals and the infrastructure necessary to achieve these. This is particularly important as the global discourse on the Post-2015 goals, as well as international discussions on the Sustainable Development Goals, proceeds.

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Contents

Executive Summary

The Commonwealth and Organisation Internationale de la Francophonie, representing more than 90 countries and 2.5 billion people, have built up a growing relationship with the G20). The Commonwealth contributes to the G20 development agenda through analytical papers and through the sharing of experiences and interests. At the same time, the G20 DWG has the opportunity to share their agenda and discuss commitments with the Commonwealth and Francophonie (CF) countries. This mutual accountability helps to make the G20's development agenda more relevant for those developing countries it aims to support, and developing countries will be more empowered to implement G20 initiatives.

The G20's development agenda is based on the Seoul consensus of 2010, which includes the Multi-Year Action Plan (growth related actions in 9 pillars) and a set of principles. One principle states: "Implementation of G20 action on development should be monitored through an adequate accountability framework." However, until late last year, very little progress has been made on this. The DWG aspires to prepare a G20 Development Working Group Accountability Report to be endorsed by the Leaders at the G20 Summit in September 2013. The scope of G20 presidency-led accountability report is likely to centre on (i) the Seoul Development consensus consisting of the Multi-Year Action Plan (MYAP) and G20 Development Principles; (ii) a review of the G20 development commitments (the MYAP and inclusive green growth as an additional issue) and outreach activities; and (iii) conclusions and ways forward. The accountability report is unlikely to address all G20 commitments which might possibly affect development, although this might be something for the future.

It is possible to examine compliance of G20 development commitments, although it can be diffcult to do this with hindsight. It is even more diffcult to examine impact of G20 commitments in the countries the G20 aims to support. There is no formal feedback or accountability mechanism. A lot of progress has been made in several pillars such as trade, infrastructure, and food security and other areas. The G20 has initiated pilot studies directly benefting countries such as Bangladesh, Benin, Cambodia, Dominican Republic, Ghana, Haiti, Indonesia Kenya, Laos, Malawi, Mongolia, Mozambique, Nigeria, Uganda and Zambia. Several CF recommendations from past G20-Commonweath dialogue have been followed through by the G20 (e.g. on agricultural productivity, infrastructure, or aid for trade). This is encouraging as the G20 appears to have implemented commitments that are relevant for developing countries. However, some other commitments that would be useful for the CF countries have not been considered (e.g. fnancial inclusion for small and vulnerable states, extension of trade preferences to SVEs, resilience profling, consideration of small state MIC debt). This seems an important gap that the Commonwealth and Francophonie need to highlight.

CF countries will be interested in holding the G20's development agenda to account in the future. Firstly, the CF countries will be interested in the general development principles of the G20. This centres on (i) developing the content of the principles; and (ii) ensuring that principles get translated into relevant development commitments and plans. It is particularly important to affect the following principles: working in partnership with the G20, ensuring that resilient growth remains key, putting new issues such as small state MIC debt on the table, and ensuring that global economic challenges (climate change, financial regulation) are prioritised and addressed. Secondly, a number of MYAP pillars will remain important in the future. A survey of countries' views indicated that infrastructure development, private investment and job creation, and trade conditions between developing and developed countries are important. The survey also suggested that human resources development was a key component of the current MYAP.

And thirdly, there may be a number of areas where the G20 could make an important contribution to growth and development in CF countries but which may not be highlighted currently in the G20's development agenda (e.g. financial regulation, financial and economic stability; global imbalances, natural resource management and climate change). The G20 is very important for the Commonwealth and Francophonie, but the Commonwealth and Francophonie can also be important partners for the G20. More specifically, the two associations can help the G20 in a number of respects: (i) analysis and research; (ii) consensus building; (iii) knowledge sharing and (iv) global advocacy. In terms of next steps, the Commonwealth and Francophonie countries need to: (a) Consider how the G20 (and the Seoul consensus in particular – both MYAP and

Abbreviations and acronyms

A4T	Aid for Trade
ADB	Asian Development Bank
AfDB	African Development Bank
AGOA	African Growth Opportunity Act
AMIS	Agricultural Market Information System
AU	African Union
AUC	African Union Commission
CF	Commonwealth and Francophonie
DFI	Development Finance Institution
DFQF	Duty Free and Quota Free
DWG	Development Working Group
ECOWAS	Economic Community of West African States
FAO	Food and Agriculture Organization
FARA	Forum for Agricultural Research in Africa
G20	Group of Twenty
GPFI	Global Partnership for Financial Inclusion
HLP	High-Level Panel for Infrastructure Investment
IAWG	Interagency Working Group
ICA	Infrastructure Consortium for Africa
IFAD	International Fund for Agricultural Development
IFC	International Finance Corporation
IFI	International Finance Institutions
IGG	Inclusive Green Growth
IICA	Inter-American Institute for Cooperation on Agriculture
ILO	International Labour Organization
IMF	International Monetary Fund
IO	International Organization
IPR	Intellectual Property Rights
KSP	Knowledge Sharing Platform

LDC	Least Developed Country
LIC	Low-IncomeCcountry
MDB	Multilateral Development Bank
MDG	Millennium Development Goals
MIC	Middle Income Country
MYAP	Multi Year Action Plan on Development
NEPAD	New Economic Partnership for Africa's Development
NSPD	National Skills Development Policy
ODI	Overseas Development Institute
OECD	Organisation for Economic Co-operation and Development
PSMV	Poorest, Smallest and Most Vulnerable (countries)
RoO	Rules of Origin
SME	Small and Medium-sized Enterprises
SSB	Standard Setting Bodies
SVE	Small, Vulnerable Economies
UNCTAD	United Nations Conference on Trade and Development
UNECA	United National Economic Commission for Africa
UNFCCC	United Nations Framework Convention on Climate change
WB	World Bank
WTO	World Trade Organization

1. Introduction

The Commonwealth and Organisation Internationale de la Francophonie, representing more than 90 countries and 2.5 billion people, have built up a growing relationship with the G20 (Commonwealth Secretariat, 2013). The Commonwealth contributes to the G20 development agenda through analytical papers and through the sharing of experiences. At the same time, the G20 DWG has the opportunity to share their agenda and discuss commitments with the Commonwealth and Francophonie countries. This mutual accountability helps to create a virtuous circle whereby the G20's development agenda is more relevant for those developing countries it aims to support, and developing countries will be more aware of and are more committed to implementing G20 initiatives.

The G20 has recognised accountability of its development agenda as a key issue for 2013, but it has to come from a low base as it has not put in place an accountability mechanism at the start of the Seoul consensus (even though accountability is one of the core principles, see G20, 2013). Whilst there are still fundamental questions about who has to be held accountable to whom (te Velde, 2012b and appendix E), this paper regards accountability as (i) a compliance mechanism; (ii) a learning process, and (iii) as mutual responsibility). It will therefore assess progress made by the

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2. The G20's approach to accountability of the G20's development agenda

The G20 affects development in many ways. Most G20's actions have spill-overs to non-G20 countries, e.g. when the G20 decided on a co-ordinate fscal and fnancial stimulus, this also helped developing economies. In addition, the G20 has initiated a development agenda (the Seoul Consensus for Shared Growth at the Seoul G20 summit in November 2010) coordinated by the DWG using a multi-year action plan of commitments (MYAP). To enhance the credibility, legitimacy and effectiveness of the G20's actions in relation to development, it needs to be accountable for its actions to countries outside the G20. The G20 DWG will need support from LICs to improve the effectiveness of its actions, for example in spreading best practices and standards.

There are currently two major ways in which the G20 is accountable to non-G20 countries for its development commitments. A selection of non-G20 countries are invited to the G20 summits. This is normally related to regions or regional bodies (e.g. the Association of South-East Asian Nations (ASEAN), the New Economic Partnership for Africa's Development (NEPAD), the African Union (AU)) but invitations are on an ad hoc basis – although there are now some rules on African participation. Further, the G20 (through the DWG) has been involved in outreach meetings with developing countries, e.g. with Commonwealth and Francophonie countries in Cape Town in 2011 and Washington in 2012.

Amongst the range of principles in the 2010 Seoul consensus, one concerns accountability: "Implementation of G20 action on development should be monitored through an adequate accountability framework". However, until late last year, very little progress has been made on this. This is now changing. The G20 development working group (DWG) which met in Bali, Indonesia in early October 2012 discussed the mandate from the Mexican G20 Leader's Summit to "explore putting in place a process for ensuring assessment and accountability for G20 development actions by the next Summit". The meeting agreed to report to the sherpas on the need for an accountability process which is Presidency-led and member driven; simple and effcient, capturing the feedback of low income countries, and drawing from and not duplicating existing accountability systems within international organisations and other G20 tracks. It suggested an initial report on the multi-year action plan and a later report that would cover all G20 commitments.

The communique of the G20 sherpa meeting on 31 October 2012 (Roo, 2012) mentions that "The sherpas also discussed the commitment of the G20 leaders to provide the G20 with accountability mechanisms in order to better evaluate and communicate the group´s various activities." It also mentions that "They emphasized the importance of consulting and including the views of LDCs in the group's work".

The accountability work-stream is undergoing further elaboration during the Russian presidency. **Item VI - Development for All - of the Outline of** The Russian Presidency of the G20 **confirms that** the Russian Presidency has positioned development as one of its priorities. The Development Working Group (DWG) is planning to structure its work around the following topics:

- Food security with a focus on agricultural production increase and undernutrition;
- Human resource development with a focus on a global skills database;
- Financial inclusion with a focus on financial literacy and access to financial services by women, migrants and the youth;
- Infrastructure with a focus on long-term financing;
- Active participation in creating a post-2015 development agenda;
- Development of an accountability mechanism to assess progress on the previous G20 commitments.

The DWG is planning to meet four times this year: in February (which has happened), mid-May, July and October. By the G20 Summit in September 2013, the DWG aspires to prepare a draft Saint Petersburg Development Action Plan or a set of principles and a G20 Development Working Group Accountability Report to be endorsed by the Leaders. The scope of G20 presidency-led accountability report is evolving but it is likely to centre around (i) the Seoul Development consensus, Multi-year action plan on development and G20 Development Principles; (ii) a review of the G20 development commitments (the MYAP and inclusive green growth as an additional issue) and possibly outreach activities; and (iii) conclusions and ways forward by summarising the results, discussing lessons learned and identifying bottlenecks, e.g. by highlighting the ways of working that works well in the G20 (e.g. policy statements, toolkits, knowledge platforms, pilots and action plans). The accountability report is unlikely to account for all G20 commitment which might possibly affect development, although this is something that could be considered in the future.

3. The G20's Multi-Year Action Plan and the Commonwealth and Francophonie

For each of the 9 pillars of the DWG agenda on growth we first ask: What did the Seoul consensus / G20 development agenda promise it would do (i.e. what were the actions)? And what has happened so far?

Appendix B lists the pillars, the actions relevant to the MYAP pillars and reports on progress in a broad sense. To monitor progress, we draw primarily on the Multi-Year Action Plan on Development agreed at the 2010 Seoul Summit in November 2010, the 2012 (Mexico) Progress Report of the Development Working Group, as well as the G20 Development Working Group – State of Play (updated in October 2012). This means that we do not have the same up-to-date information which the G20 DWG is using now for its compliance / accountability report.

In broad terms we find the following:

1. **Infrastructure** – The G20 has achieved reasonable success in Action 1 in developing comprehensive infrastructure plans, but they have achieved considerably more progress with the newly created high-level panel for infrastructure investment (HLP) with plans to mobilise support for scaling up infrastructure financing.
2. **Human resource development** – Work has started in Action 1 but results will not be available until the end of 2014. For Action 2, the key achievement was the launch of the Knowledge Sharing Platform (KSP) on skills for employment in December 2012.
3. **Trade** – The G20 has demonstrated serious commitments towards enhancing trade capacity and access to markets for developing countries by announcing additional DFQF preferential market access for the LDCs (although there is still a need for further progress) and by requesting MDBs to set up a new trade finance facility at the African Development Bank.
4. **Private investment and job creation** – The G20 welcomes a summary report on Private Investment and Job Creation by the Interagency Working Group.
5. **Food security** – There has been much progress on various initiatives, e.g. the G20 has launched AgResults (see also Box 1), The Tropical Agricultural Platform was launched, and there was a MDBs Action Plan for agriculture, food security and nutrition. But other initiatives are on-going.
6. **Growth with resilience** – Progress on reporting on social protection floor; interesting commitment on reducing remittance costs, but this is a new commitment and progress reports need to come in.
7. **Financial inclusion** – The G20 welcomes the work by the GPFI conference (October 2012), but significant progress depends on the implementation of the Financial Inclusion Plan. So far the SME finance challenge has been announced. G20 Leaders have also endorsed the G20 basic set of Financial Inclusion Indicators.

8. **Domestic resource mobilisation** – There is a commitment of support by the G20, but progress is still in early stages. The technical assistance coordination platform launched in Feb 2012 by the Global Forum on Transparency and Exchange of Information for Tax Purposes was a response to a G20 request.

9. **Knowledge sharing** – Efforts have been put into initiating the implementation process, but considerable further progress will be needed before tangible results emerge.

Box 1 The G20 in action: AgResults

AgResults is a new multilateral initiative addressing the need for increased investment in global food security and agriculture, in particular from the private sector. It enhances smallholder welfare and improves food security for the poor and vulnerable through the use of "pull mechanisms" in agriculture. Pull mechanisms are results-based fnancial incentives rewarding successful innovations and their adoption. They are designed to overcome market failures, and encourage private and public sector innovators to develop products and services that they would not otherwise bring to the market (World Bank, 2013).

The mandate for AgResults originated at the June 2010 G20 Summit in Toronto. Over two years the governments of Canada, the United Kingdom, Australia, and the United States of America, together with the Bill and Melinda Gates Foundation and the World Bank collaborated to develop AgResults, culminating in its offcial launch at the G20 Summit in Los Cabos in June 2012 with pre-commitments of US$ 100 million. The initiative was formerly known as "Agriculture Pull Mechanism Initiative" (World Bank. Available at: http://bit.ly/Zl9enK)

There are currently three AgResults initiative pilot projects (World Bank , 2012); they are expected to run for four years and aim to:

- Stimulate improved food security through the widespread adoption of improved on-farm postharvest grain storage systems in Kenya.
- Support the rollout of ProVitamin A (PVA) maize in Zambia by stimulating the grain market for new hybrid varieties of maize through incentives aimed at industrial millers.
- Address persistent barriers to the widespread adoption of biocontrol technology by Nigerian smallholders by providing incentives for smallholder farmers to adopt a particularly promising afatoxin control technology called Afasafe™.

The actions in these pillars are likely to affect different types of countries differently. For example, it is important to account for the special characteristics of some of these countries. Small states are countries with a population of 1.5 million or less and account for one third of the total number of developing countries, and less than 0.4 per cent (20 million people) of the total population of developing countries. These countries are spread across the world (the majority in the Caribbean, Pacifc, and Africa) and are heterogeneous. Thirty two of the world's 48 small states are Commonwealth member countries; and among these, 25 are small islands developing states.

Small and vulnerable states share a number of common inherent characteristics including peripherality, openness to global fnancial and trade markets, limited diversifcation, proneness to natural disasters, environmental fragility, limited access to external markets, limited capacity, poverty, and income volatility. These characteristics make them particularly vulnerable (i.e. exposed to economic, social, and environmental exogenous shocks) and pose special development challenges that may require a different way of thinking about the strategies to effectively address the sustainable development problems. But they also suggest that actions by the G20 can have a detailed analysis). The responses for progress made on each of the nine pillars were mixed, which could reflect limited relevance, but it could also simply reflect a lack of knowledge on actions in these pillars. The action 'facilitate the flow of international remittances' under the pillar of growth and resilience was the area with which countries were overall most satisfied with. 'Support developing countries to strengthen and enhance social protection programs' under the pillar of growth and resilience, and 'enhance trade capacity and access to markets' under the pillar of trade, received the lowest marks for progress. Some countries responded mainly positively, others mainly negatively.

Tracing the Commonwealth and Francophonie recommendations to the G20

The Commonwealth engages with the G20 at various levels (see Commonwealth Secretariat, 2013). It is clear that the G20 Development Working Group appreciates this relationship as its latest report welcomes "the meeting with members of the Commonwealth and the Organisation Internationale de la Francophonie … on the G20 development agenda." There have been several G20-Commonwealth outreach meetings which have been supported by various papers (see list in references, and below) and outcome statements (Appendix D).

We examine to what extent the G20 actions are in line with the recommendations by the two associations to the G20. For this, we examine briefly the pillars in which the Commonwealth and the Francophonie have made specific policy contributions including in Trade (Commonwealth, 2011), Financial Inclusion (Massa et al., 2011), Growth with Resilience (Briguglio, 2011) and Food Security (Commonwealth and Stevenson, 2012), and consider the extent to which the G20 has, in addressing its own commitments, incorporated aspects of the Commonwealth and Francophonie recommendations. We first list the specific suggestions in each of the pillars, consider whether they have been included in one of the G20-Commonwealth outcome statements, and then whether the G20 has progressed on this or mentioned it in one of the communiques. The assessment is done in a crude way on the basis of progress so far (as listed in Appendix table B1).

In broad terms, we find the following.

- **Trade** – There has been progress in some areas requested (e.g. Aid for Trade data until 2010), but substantially inadequate to progress on DFQF to small and vulnerable economies (outside LDCs) or progress on Doha, or rules of origin. Some areas did not make it to the first MYAP.
- **Financial Inclusion** – There has been progress on learning on mobile financial services or on making the agenda sensitive to small states (e.g. Pacific) under AFI, but no progress in considering cross-country inclusion as an issue in this pillar. It is possible to consider financial inclusion at country level.
- **Food security** – Good progress on AFSI (Aquila pledges, according to its own reporting) and removal of export restrictions, but few signs of extensive research agendas examining food security in small states.

- **Growth with Resilience** – Progress such as a knowledge sharing portal, or UN Global pulse, but little recognition of the wider Commonwealth agenda on resilience.
- **Knowledge Sharing** – Little notable progress on this with respect to small states, although the outreach meetings have contributed to increased knowledge sharing (e.g. the Washington meeting in 2012 discussed country experiences on inclusive green growth).
- **Infrastructure** - Progress on infrastructure through the recommendations of the HLP, but little information on how the recommendations are being implemented and inadequate focus on the challenges of small states and those CF developing countries which, unlike other larger and better-resourced developing countries are locked out of access to many sources of long-term infrastructure finance.

Lessons learned

A lot of progress has been made in several pillars such as trade, infrastructure, food security etc., but there has been a lack of progress in some other areas. It appears that some of the visibility of G20 development actions is linked to where individual G20 projects take place, rather than the effects of general policies and rules; G20-inspired most projects are often not inside small and vulnerable economies (with exceptions such as financial inclusion in the Pacific or skills). Box 2 includes list of G20 pilot projects.

It is possible to examine compliance of G20 development commitments, although it can be difficult to do this with hindsight. However, it is even more difficult to examine impact of G20 commitments in the countries the G20 aims to support. There is no formal feedback or accountability mechanism, but the Commonwealth survey did point to a number of success stories on G20 support:

- **Bangladesh** - pilot study of UNCTAD project on "Indicators for measuring and maximizing economic value added and job creation from private investment in specific value chains"
- **Sierra Leone** – Infrastructure Panel and Global Partnership for Financial Inclusion regarded as a success
- **Saint Lucia** – good progress on developing skills indicators through workshops

Box 2 G20 – Pilot Projects in MYAP pillars

The G20 has initiated pilot studies benefting a rich diversity of countries including Bangladesh, Benin, Cambodia, Dominican Republic, Ghana, Haiti, Indonesia Kenya, Laos, Malawi, Mongolia, Mozambique, Nigeria, Uganda and Zambia.

Food security: Pilot Project for Emergency Humanitarian Food Reserves as part of Economic Community of West African States (ECOWAS); Pilot Projects feld-testing the Principles for Responsible Agricultural Investment in some African and South-East Asian countries; and AgResults pilot projects in Zambia, Kenya, and Nigeria

Human resources development: Pilot testing with content in three areas (Skills for disadvantaged youth, Skills anticipation for green growth, and Inclusion of persons with disabilities). Action Plans adopted in four pilot countries: Bangladesh, Benin, Malawi and Haiti.

Private investment and job creation: Country pilot studies have been carried out by UNCTAD in collaboration with other agencies of the inter-agency working group (IAWG) as phase two of the programme of work on "Indicators for measuring and maximizing economic value added and job creation from private investment in specifc value chains. Piloting of the indicator framework through country case studies (in the Dominican Republic, Mongolia, Bangladesh, Laos, Cambodia and Mozambique).

Growth with resilience: Pilot projects on global poverty monitoring initiatives, such as the UN Global Pulse Initiative, are taking place in Indonesia and Uganda.

Domestic resource mobilisation: As part of the technical assistance coordination platform launched in February 2012 by the Global Forum on Transparency and Exchange of Information for Tax Purposes responding to a G-20 request, two pilot projects have been launched with Ghana and Kenya aimed at helping them to implement the international standards and prepare them for peer review.

Several Commonwealth and Francophonie (CF) recommendations have been followed through by the G20 (e.g. on agricultural productivity, infrastructure, or aid for trade). This is encouraging as the G20 appears to have implemented relevant commitments. This is underlined by the Commonwealth survey, which found that (i) nine out of ten country responses argued that infrastructure was the most important pillar, followed by six for private investment and job creation, and fve for human resource development and (ii) four out of 10 countries fnd the pillars still important.

However, other commitments that would be useful for the CF countries have not been considered (e.g. fnancial inclusion for small and vulnerable states, extension of trade preferences to SVEs, resilience profling). This seems an important gap that the Commonwealth needs to highlight.

The Commonwealth survey also suggests that other pillars such as energy or natural resource management could be important for their country.

Finally, there is no systematic work that captures how individual non-G20 countries benefit from G20 actions. In the Commonwealth survey, most countries suggested that the G20 could become more accessible and spread its message wider. Greater visibility in low income countries and non-G20 members was encouraged, and the use of a newsletter, international institutions, such as the World Bank, the Commonwealth and ADB, and social media were given as examples to increase G20 communications on G20 commitments and action plans.

4. The general workings of the G20's development work and the Commonwealth and Francophonie

If we focus on assessing compliance to the commitments made in the MYAP only, we fail to consider at least two other crucial aspects of the G20's accountability: (i) the range of core G20 actions which might affect development through spill-overs (e.g. the provision of global public goods; solving the Eurozone crisis) and we will come back to this in section 5; and (ii) the softer side of the work of the G20 DWG. After all, the G20 is a network of networks focusing on strong, sustainable and balanced growth rather than an implementing agency focusing on poverty.

How can the Commonwealth and Francophonie leverage the general workings of the G20?

te Velde (2012a) argues that the G20 brings a number of new elements to the table:

- **Identifying gaps** in global economic governance, setting new quantifable targets and providing policy direction to relevant institutions – for example addressing constraints in fnancing regional infrastructure projects;
- **Putting the spotlight** on existing development issues and new innovative solutions – for example inclusive green growth (see box 2) or generally highlighting the importance of growth in development;
- **Knowledge sharing**– sharing experiences on a common basis as developed and emerging countries are involved at G20 level in an open and collaborative manner;
- **Trust and consensus building** among G20 countries on development-related issues – for example on the need to pursue a fscal or monetary stimulus, or endorsing other processes and outcomes (such as WTO trade talks, the Rio+20 discussions, or the post-2015 discussions in the future);
- **Building global norms** and standards – for example promoting discussion on standards on fnancial inclusion;
- **Improving policy coherence for development** (PCD) by encouraging development-friendly core policies of the G20 – for example by promoting development-friendly fnancial or trade regimes.

Box 3 Inclusive Green Growth: G20 actions and Commonwealth priorities

Under the Mexican presidency of 2012, inclusive green growth was high up on the G20 agenda. Recognising that environmental constraints and social exclusion are among some of the most serious threats to hard-won development gains, in 2012 the DWG strengthened its commitment to help developing countries, in particular LICs, sustain and strengthen their growth by adopting a focus on inclusive green growth (IGG). This focus acknowledges that IGG in developed and developing countries alike will be critical to achieving sustainable development, but that such growth must also be inclusive if it is to support decent job creation and poverty alleviation.

Several actions have taken place in the pillar. For example, the stocktaking review conducted by International Finance Corporation (IFC) on existing mechanisms to mobilize private capital for inclusive green investments in developing countries. Further, a non-prescriptive policy toolkit on inclusive green growth became available in June. Steps have also been taken towards establishing a public private Dialogue Platform on Inclusive Green Investments to scale up commercially viable financial investments, involving in particular the IOs, interested development financial institutions (DFIs), countries, private sector, and relevant initiatives. This Platform could be used to address barriers and identify opportunities to foster private investments to support the voluntary implementation of IGG on a demand-driven basis. The DWG has also encouraged LICs to explore ways to account for their natural capital, including through initiatives such as the global partnership on Wealth Accounting and the Valuation of Ecosystem Services (WAVES). The DWG made further links to the Rio+20 process in 2012.

This is clearly a rapidly evolving area. The Commonwealth and Francophonie have also expresses their priorities in the Washington G20-Commonwealth dialogue in 2012 on inclusive green growth. Suggestions include:

- Recognise special challenges faced by the poorest, smallest and most vulnerable countries (PSMVs);
- Recognise need to invest in natural resource base for green growth (and enhance development friendly transparency);
- Knowledge-sharing on green growth paths for PSMVs, building communities of practice and developing toolkits;
- Develop viable financing options and frameworks for transformative change in PSMVs;
- Support national implementation frameworks and integrated solution;
- High ambitions for Rio+20

Source: 2012 Progress Report of the Development Working Group; G20-Commonwealth Outcome Statement, Washington 2012; te Velde (2012a)

These softer areas may already have been useful for developing countries. Moreover, such functions can be used to maximise the impact for its beneficiaries including Commonwealth and Francophonie countries. For example, the G20 could be asked to:

- **put the spotlight on the debt problems** facing many small MICs, a development finance gap (who is providing finance to small and vulnerable MICs?), or on issues such as human resource development (and issues flagged up by the Commonwealth survey);
- **address gaps in global environmental governance** which is so important for the poorest countries;
- **build consensus** and endorse documents e.g. by UNECA, AU and AfDB that structural transformation is a key challenge for the post-2015 development agenda;
- **do more on policy coherence for development**, e.g. by relaxing IPR rules to promote access to medicines.

How can the Commonwealth and Francophonie hold the general workings of the G20 to account?

The Seoul consensus already contained a set of six principles by which the G20 DWG should operate (see appendix D).

1. Focus on inclusive, sustainable and resilient growth;
2. Strong, responsible, accountable and transparent development partnerships between the G20 and LICs;
3. Prioritize global or regional systemic issues that call for collective action;
4. Promote private sector involvement and innovation;
5. Complementarity with other international processes; and
6. Tangible outcomes.

These functions and principles associated which the workings of the G2O (DWG) may contribute to the prospects of small, poor and vulnerable economies. The Commonwealth survey suggested that seven out of ten countries consider the six principles as relevant and useful. But not all principles all have been translated into MYAP style commitments. For example,

- **Resilient growth** was translated into one pillar called growth and resilience but this focuses on a narrow interpretation of the resilience.
- There are several G20 projects with country pilots (e.g. AgResults) but how many actions truly "**Prioritise global issues where the G20 can add**", e.g. how much does the G20 DWG focus on the development dimension global issues such as the climate change, financial regulation, global finance, etc.

- Several commitments are being implemented in **partnership**, but how many ideas and commitments are developed in partnership with developing countries. So far there have been few transparent outreach meetings with others countries (of course there are the B20, C20, T20, and the developing country representatives at G20 meetings.)
- Accountability assessments (as part of a focus on tangible outcomes) have only just started.

The small and vulnerable Commonwealth and Francophonie countries can hold the G20 to account on these development principles by asking the G20 DWG to provide a narrative description on these. They could also help to strengthen these G20 principles, for example

- They can play a more formal role in the "implementation and accountability" part;
- They can offer suggestion of how to include a broader concept of "resilience" in resilient growth;
- They can contribute to collective action and foster "consensus building" around global fnancial issues

5. Future areas of accountability of interest to the Commonwealth and Francophonie

Having refected on accountability as compliance to actions plan and principles (sections 3 and 4) we can now discuss accountability as a learning process and mutual responsibility. What have we learned on the principles on which the G2O needs to be held accountable and how can the Commonwealth and Francophonie help?

General development principles of the G20

As argued throughout this paper, the CF countries will be very interested in the general development principles of the G20. This centres on (i) developing the content of the principles; and (ii) ensuring that principles get translated into relevant development commitments and plans. The Commonwealth can help with this. The following will be of particular interest: the Commonwealth can promote working in partnership with the G20; ensuring that resilient growth is important; putting new issues such as small state MIC debt on the table; and ensuring that global economic challenges (climate change, fnancial regulation) are prioritised and addressed. Many of the countries in the Commonwealth survey responded that they would like to see the G20 engage in greater direct communication and collaboration with developing countries. This included fnancial support, student training and dedicated discussions on issues facing the most vulnerable countries.

Continue MYAP focal areas

A number of current pillars will remain important. The Commonwealth survey indicated that typical answers to the question of areas of future accountability included infrastructure development, private investment and job creation, and trade conditions between developing and developed countries. The survey also suggested that human resources development was a key component of the current MYAP. A focus on these areas would be consistent with a strong emphasis on structural transformation in recent policy documents from African regional organisations and would be closely related to the G20-LIC 20 point charter for resilient and transformative growth (te Velde, 2010).

Extending the accountability mechanism to the development dimension of all G20 actions

There are be a number of areas where the G20 could make an important contribution to growth and development in Commonwealth and Francophonie countries but which may not be highlighted currently in the G20's development agenda. For six of the ten countries in the Commonwealth survey, the wider G20 discussions are as important as the G20's specifc development commitments in its Seoul Multi Year Action Plan on Development.

Examples of G20-related core areas that are important for the poor, small and vulnerable economies: fnancial regulation, fnancial and economic stability; global imbalances and exchange rates, natural resource management (te Velde, 2012b). The survey confrmed a number of these areas: climate change, energy and natural resources, human resources development and financing as crucial areas. This would mean a different job description for the G20 DWG and an extension of its brief to analyse and argue for the development dimension of the G20 core agenda. Developing countries could help to implement such agenda.

How can the Commonwealth and Francophonie help?

The G20 is very important for the Commonwealth and Francophonie, but the Commonwealth and Francophonie can also be important partners for the G20. More specifically, the two associations can help the G20 in a number of respects: (1) analysis and research; (2) consensus building; (3) knowledge sharing and (4) global advocacy. The Commonwealth survey suggested that responding countries wanted to see the Commonwealth Secretariat play a greater role in monitoring and evaluating the G20's commitments and projects in developing countries. For some, the Commonwealth Secretariat could act as a type of liaison between developing countries and the G20, lobbying for projects, heightening the visibility of the G20 agenda in developing countries, and continuing the dialogue between the two. Commonwealth countries also suggested they can help individually. Suggested methods of helping to implement or monitor G20 development actions included providing administrative support, partaking in peer reviews, and participating in Working Groups. Some countries suggested a more individual approach where they would take greater interest in the projects of the G20, and support its development agenda where possible.

6. Conclusions

The G20 is now taking interest a keen interest in developing an accountability mechanism for its development commitments in the Seoul consensus. This paper has examined compliance of the MYAP and the extent to which MYAP implementation has followed the Commonwealth and Francophonie recommendations to the G20. We found that there was progress in many areas in terms of compliance, and that there was evidence of convergence with Commonwealth and Francophonie recommendations in some but not all areas. But it is much more diffcult to gain insights into how individual countries have been affected directly or indirectly (e.g. we found the G20 has initiated pilot studies directly benefting countries such as Bangladesh, Benin, Cambodia, Dominican Republic, Ghana, Haiti, Indonesia Kenya, Laos, Malawi, Mongolia, Mozambique, Nigeria, Uganda and Zambia; but there are many indirect effects), and there were instances of lack of progress or lack of consideration of specifc interests. We have described the interest of the Commonwealth and Francophonie countries in the MYAP and the general principles of the Seoul consensus, and suggested how these can continue to beneft Commonwealth and Francophonie countries. We also suggested a number of new areas where CF countries can hold the G20 to account.

In terms of next steps, the Commonwealth and Francophonie countries need to:

- Consider how the G20 (and the Seoul consensus in particular – both MYAP and principles) has affected their country and what they have learned from this. This will feed into the current efforts of the G20 to write the accountability report to be approved by leaders in September 2013.
- Consider how the G20 needs to be held accountable in the future and consider how Commonwealth and Francophonie countries can best take advantage of G20 actions.

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Appendix A: Responses to the Survey on Accountability

Section 1: Relationship with the G20, including the G20 Development Working Group (DWG)

1. To what extent has your country been engaged with the G20's development agenda since 2010? (Please tick appropriate box)

Seven of the countries—Botswana, Cameroon, The Gambia, Lesotho, the Republic of Mauritius, Samoa and Seychelles—responded that they did not have any specifc involvement with the G20 or the G20 Development Working Group (DWG) meetings and programmes. Bangladesh participated in the High Level Consultation on the G20 Seoul, Cannes and Mexico Summits to coordinate the Asia-Pacifc voice ahead of each summit. Botswana participated in the Global Forum on Transparency and Exchange of Information for Tax Purposes, which works to ensure cooperation on international in tax matters, and is strongly supported by the G20. Saint Lucia responded that it directly participated in the G20 DWG Meeting in Cape Town in June 2011.

Section 2: Effectiveness of the Seoul Multi Year Action Plan (MYAP)

2. To what extent are the six principles[1] embodied by the MYAP still relevant and useful? Are they the right ones?

Seven of the countries—Bangladesh, Botswana, Cameroon, The Gambia, Sierra Leone, Samoa and Saint Lucia—suggested that the six principles were still relevant and useful. While none of the countries responded that the six principles were not relevant and useful, Lesotho highlighted that they applied particularly to low income countries, and Saint Lucia suggested that global economic integration be added as a seventh principle. The Republic of Mauritius suggested that the principles were relevant and useful as long developmental goals were met.

3. The G20 DWG's nine priority development pillars are: Infrastructure, human resource development, trade, private investment and job creation, food security, growth with resilience, fnancial inclusion, domestic resource mobilisation and knowledge sharing.

   a. Of the nine areas of focus, which are the three most important for your country?

The most important pillar was infrastructure, with nine responses, and private investment and job creation, with six responses. Human resource development received fve responses. Domestic resource mobilisation only received one response, and none of the countries responded with fnancial inclusion or knowledge sharing as their most important focus. Lesotho, Samoa and Saint Lucia all suggested infrastructure, private investment and growth and resilience. Additionally, Seychelles and the Republic of Mauritius were aligned in their choices of infrastructure, human resource development and growth and resilience.

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[1] The six principles are: Focus on economic growth for poverty reduction; a global development partnership; prioritize global or regional systemic issues that call for collective action; private sector participation; complementarity with other international processes; and tangible outcomes.

b. Do the nine G20 pillars fully cover the development challenges of your country? If not, what is missing?

Four countries suggested the pillars are still important (Lesotho, the Republic of Mauritius, Samoa and Saint Lucia). Although each country generally had unique responses, climate change was mentioned by more than one country. Along the environment theme, renewable energy and energy security, natural resource management and disaster risk reduction were offered as suggestions.

4. The table below is a short summary of the specific commitments made by the G20 DWG to take action in each of the nine priority development pillars. For each of these please tick the appropriate box.

Generally the responses for the progress made on each of the nine priority development pillars were mixed, however 'facilitate the flow of international remittances' under the pillar of growth and resilience was the area with which countries were overall most satisfied with. 'Support developing countries to strengthen and enhance social protection programs' under the pillar of growth and resilience, and 'enhance trade capacity and access to markets' under the pillar of trade, received the lowest marks for progress. Saint Lucia was the most positive country, with six 'good' and nine 'satisfactory' responses out of sixteen, while one country indicated eight 'poor' responses. A number of other countries were significantly unaware of the commitments of the G20 DWG to take action in each of the nine priority development pillars, and opted not to rate any of the categories.

5. Please indicate any specific examples of how the G20 is meeting its commitments under the MYAP, where progress is indicated as 'good' in question 4 above:

For this question, the answers were again quite diverse. While only five of the ten responded there was no overlap in the examples of how the G20 is meeting its commitments under MYAP. The use of panels and workshops was mentioned, as well as the support of the World Bank, UN and the IMF.

6. What is your experience of how the G20's commitments and results on its Development Agenda are communicated beyond the G20? How can this be improved?

Most countries responded with ways that the G20 could become more accessible and spread its message wider. Greater visibility in low income countries and non-G20 members was encouraged, and the use of a newsletter, international institutions, such as the World Bank, the Commonwealth and ADB, and social media were given as examples to increase G20 communications.

Section 3: Wider G20 accountability issues

7. Do you think the wider G20 discussions (e.g. financial regulatory reform, crisis management, macro-economic coordination on currencies) are less important, as important, or more

important for your country than the G20's specifc development commitments in its Seoul Multi Year Action Plan on Development?

For six of the countries, Bangladesh, Botswana, The Gambia, Lesotho, Sierra Leone and Saint Lucia, the wider G20 discussions were as important as the G20's specifc development commitments in its Seoul Multi Year Action Plan on Development. One country responded that the wider goals of the G20 were less important than the specifc commitments in the Seoul MYAP, while three others responded that they were more important.

8. Do you think that the wider G20 discussions, outside the Seoul Multi Year Action Plan on development, should be subject to a more thorough accountability framework? If so, what should be the elements of such a framework?

The majority of the countries responded with suggestions with new elements that should be incorporated in the Seoul MYAP accountability framework. Several suggestions voiced a desire for the G20 to be clearer in its goals and objectives at the beginning of a new project or pledge, and greater monitoring during implementation of its commitments. One country voiced concerns about the G20 becoming too rigid as a result of a more thorough accountability framework, although they did reiterate that an accountability framework was necessary.

9. What would you like to see the G20 do differently to improve its impact for developing countries, especially the poorest, smallest and most vulnerable countries?

Many of the countries responded on the theme that they would like to see the G20 engage in greater direct communication and collaboration with developing countries. This included fnancial support and commitments, student training and dedicated discussions on issues facing the most vulnerable countries.

10. How could the G20 be held accountable to the international community for its work in development?

Most countries responded voicing a desire for better communication from the G20 to the international community. There were several suggestions for more publications on the G20's projects and progress, and greater involvement of international organizations, such as the World Bank and the African Union.

Section 4: Priorities for Commonwealth developing countries

11. What do you consider to be the most important 3-4 issues the G20 should focus its development efforts on in the next 2-3 years?
    Common answers to this question included infrastructure development, private investment and job creation, trade conditions between developing and developed nations, and climate change.

12. What role can the Commonwealth Secretariat play in ensuring better accountability of the G20 to developing countries on its development agenda?

The general desire of the responding countries was to see the Commonwealth Secretariat play a greater role in monitoring and evaluating the G20's commitments and projects in developing countries. For some, the Commonwealth Secretariat could act as a type of liaison between developing countries and the G20, lobbying for projects, heightening the visibility of the G20 agenda in developing countries, and continuing the dialogue between the two.

13. What role can your country play in helping to implement or monitor G20 development actions?

Suggested methods of helping to implement or monitor G20 development actions included providing administrative support, partaking in peer reviews, and participating in Working Groups. Saint Lucia, Samoa and Seychelles suggested a more individual approach wherein they would take greater interest in the projects of the G20, and support its development agenda where possible.

Appendix B: Tracking G20 MYAP and Commonwealth recommendations

The information below is not an exhaustive list of G20 achievements.

1. Infrastructure

Action 1: Develop Comprehensive Infrastructure Plans

- Review size and range of Project Preparation Facilities, taking into account the upcoming results of the assessment commissioned by the Infrastructure Consortium for Africa (ICA)
- The Report on 'Misperception of Risk and Return in Low Income Countries' by Roland Berger was available in June 2012
- Scaling up of the Construction Sector Transparency Initiative; the implementation of the 'Sokoni Africa Infrastructure Marketplace' platform and the launch of a global infrastructure benchmarking initiative

In addition, DWG 2012 welcomes:

- The report on 'Best Practices for Urban Mass Transport Infrastructure Projects in Medium and Large Cities in Developing Countries'
- The strengthening of public-private practitioners networks in every region by channelling resources and knowledge towards the adoption of best practices by policy makers
- The review of the WB-IMF Debt Sustainability Framework reaffrmed its critical role in improving debt management in LICs while striving to better capture the expected economic and social return from transformative investments

Action 2: Creating a High-Level Panel for Infrastructure Investment (HLP) to mobilize support for scaling up infrastructure financing

- HLP created and reported
- Harmonization of procurement principles between MDBs to public sector recipients and private sector (completed)
- Continue with the implementation of the recommendations of the MDB Action Plan and of HLP report supported by the leaders in Cannes
- Present an updated report on the follow-up of the recommendations and plan elaborated by the HLP and MDBs
- Report on best practices for urban mass transport infrastructure projects became available in June 2012

2. Human resource development

Action 1: Create internationally comparable skills indicators

- DWG 2012 looks forward to the creation by end 2014 of a comparable database across countries to serve as a monitoring tool for assessing employable skills development in LICs
- Prototype prepared, tested and revised June 2012. Reported on to the DWG, May 2012 in Los Cabos
- Pilot testing with content in three areas (Skills for disadvantaged youth, Skills anticipation for green growth, and Inclusion of persons with disabilities) completed and reported on by October 2012
- Action Plans in the Pilot countries: Bangladesh, Benin, Malawi and Haiti adopted (for Haiti more time might be required). Draft Action Plans produced through inter-ministerial and inter-agency workshops by April 2012 and reported on to the DWG. Action Plans in Bangladesh, Benin and Malawi to be fnalized through country processes by October 2012 and to be drafted in Haiti by October 2012
- The relevant international organizations have agreed to work together to prepare an inventory of data availability and country coverage for constructing the proposed indicators.
- Final report on the conceptual framework with the full database of indicators will be prepared by end of 2014

Action 2: Enhance national employable skills strategies

- The knowledge sharing platform (KSP) on skills for employment, a project led by the ILO in coordination with OECD, UNESCO and the WB, will collect relevant information from a variety of sources, from the private sector and academic institutions to bilateral agencies and IOs. It will share the answers that governments, employers, workers, and IOs are fnding to the question of how we can bridge the world of education and training to decent and productive jobs
- The prototype of the KSP is being improved on the basis of pilot testing focusing on the following key G20 issues: skills for youth employment, disability inclusion and employment in anticipation of IGG. We look forward to the launching of KSP on skills for employment in December 2012

3. Trade

Action: Enhance Trade Capacity and Access to Markets

- Some G20 members have announced additional DFQF preferential market access for the LDCs since the Cannes Summit. WTO to provide periodic updates. WB to provide costs and benefts analysis of DFQF for individual LDCs

- DWG 2012 report reaffrms commitment to meeting Hong Kong DFQF commitments, and asks the WTO to produce further updates on extent of DFQF being provided, and the WB to continue to update and refne its cost-beneft analysis of DFQF for LDCs
- DWG 2012 report reaffrms G20 commitment to meeting Seoul commitments on A4T fnancing. Also requests OECD and WTO to report periodically on A4T fows, but data for 2011 may provide diffculties on level of commitments
- Aid for Trade for Africa including through enhanced fnancing of regional infrastructure by MDBs; Building on the [Aid for Trade] Review, a more detailed assessment of G20 members' case stories on Aid for Trade, prepared by OECD and WTO; (State of Play Report)
- DWG 2012 report notes the on-going new work from several IOs on new transparency databases, as well as the work of the OECD and WTO on the implications of global value chains in world trade and measuring the actual value-added of trade
- "DWG 2012 report voices support for AU leaders' commitment at their summit in Jan 2012 towards regional integration ; AfDB President plans to send a letter ahead of July AUC summit to African Heads of State with specifc recommendations for removing obstacles to regional integration
- New facility is in the process of being put in place for a trade fnance facility at the African Development Bank. The business plan has been developed, and new staff have been hired
- WTO's 4th Global Review of Aid for Trade to take place in Geneva July 2-10, 2013; the themes is Connecting to Global Value Chains with a subtheme of Regional Integration

4. Private investment and job creation

Action: Support Responsible Value-Adding Private Investment and Job Creation

- Summary Report on Private Investment and Job Creation by the Interagency Working Group is welcomed
- Invite low and middle income country governments to make use of the Indicator Framework developed and feld tested in six low and middle income countries by the Interagency Working Group (IAWG). Ask the IAWG for a fnal report which includes the results of the feld testing of the indicators

  In addition, DWG 2012 welcomes
- Strong response to the G20 Challenge on Inclusive Business Innovation and congratulate the winners
- The Policy Note on the Business Environment for Inclusive Business Models by the IFC assessing regulatory hurdles

5. Food security

Action 1: Enhance Policy Coherence and Coordination

- Action Plan on Food Price Volatility and Agriculture was implemented in 2011
  - The Agricultural Market Information System (AMIS) is a G20 initiative to enhance food market transparency and encourage coordination of policy action in response to market uncertainty. The initial focus of AMIS is on four grains that are particularly important in international food markets, namely wheat, maize, rice and soybeans[2]
    - Rapid Response Forum (within the framework of AMIS) will promote early exchange of key information on and discussion of prevention and responses to crises among policy-makers and assist in mobilizing wide and rapid political support for appropriate policy response and actions on issues affecting agricultural production and markets in times of crisis.
- AgResults: through October 2011, the World Bank has solicited 38 pull mechanism ideas from 24 experts in four Thematic Groups focused on in the areas of (1) Inputs/Increasing Yields, (2) Outputs/Post-harvest Management, (3) Livestock, and (4) Nutrition[3]
  - "Pull mechanisms" use public fnancing to reward agricultural innovation and, in the process, build sustainable markets for agricultural goods and services that beneft the poor, particularly those engaged in, or consuming the products of, smallholder agriculture

Action 2: Mitigate Risk in Price Volatility and Enhance Protection for the Most Vulnerable

- DWG 2012 supports the country-level implementation of The Voluntary Guidelines on the Responsible Governance of Tenure of Land, Fisheries and Forests in the Context of National Food Security promote secure tenure rights and equitable access to land, fsheries and forests as a means of eradicating hunger and poverty, supporting sustainable development and enhancing the environment.
- Tropical Agriculture Platform: major step towards coordinating knowledge-sharing and technical assistance of agricultural innovation systems in developing countries (2012)
  - FAO sent invitation to international organizations such as IFAD, WB, IICA, PARD, FARA, among others to be part of the partnership; 25 IO's have accepted the invitation.

[2] http://www.amis-outlook.org/amis-about/

[3] http://web.worldbank.org/WBSITE/EXTERNAL/EXTABOUTUS/ORGANIZATION/CFPEXT/0,,contentMDK:23005969~pagePK:64060249~piPK:64060294~theSitePK:299948,00.html

- DWG 2012 recognizes the work of IOs to produce a report on 'Sustainable Agricultural Productivity and Bridging the Gap for Small Family Farms'. We agree to consider the recommendations contained in the report, as well as the fertilizer initiative presented by NEPAD in this context
- DWG 2012 supports the implementation of the Platform on Agricultural Risk Management (PARM) and its joint work with the AU/NEPAD (African Union and its development arm) on the integration of risk management into Comprehensive African Agriculture Development Programme (CAADP) (which focuses on improving and promoting agriculture across Africa)
- DWG 2012 is committed to working with IOs concerned on some key initiatives in the framework of the Committee on World Food Security
- DWG 2012 supports the on-going work of the Committee on World Food Security as the foremost inclusive international and intergovernmental platform for food security.
- DWG 2012 encourages all countries to support the Principles for Responsible Agricultural Investment (PRAI)-- The seven Principles cover all types of investment in agriculture, including between principal investors and contract farmers[4]
    - Summary report, regarding the feld-testing of the PRAI will be issued in September 2012 by IOs (FAO, IFAD, IFPRI, UNCTAD, OECD and the World Bank)

6. Growth with resilience

Action 1: Support developing countries to strengthen and enhance social protection programs

- DWG 2012 recognizes the work of individual G20 countries to support global poverty monitoring initiatives, such as the Implementation of the UN Global Pulse
- Multilateral Coordination Mechanism delivered; the frst social protection inter-agency board meeting (bringing together IOs and bilateral donors) took place on July 2 -3. The next meeting is scheduled for 29 October 2012
- DWG 2012 welcomes the International Labour Organization, World Bank, and UN Development Programme's implementation of the 2011 social protection commitments-- the social protection gateway to facilitate knowledge-sharing on effective social protection approaches -- encourage all countries to participate in the gateway
- DWG 2012 welcomes the establishment of an inter-agency board chaired by the ILO and WB to enhance social protection coordination and collaboration among international organizations and bilateral donors at the national and international level

[4] http://unctad.org/en/Pages/DIAE/G-20/PRAI.aspx

Action 2: Facilitate the flow of international remittances

- Reference was made in the Los Cabos documents (including the Final Declaration and DWG Report) to reaffrmation of the Cannes commitment to work to reduce to 5% by 2014 the global average cost of transferring remittances.
- Progress monitoring by the World Bank every six months.
- Among receiving countries, only India and Indonesia have taken action in line with the World Bank Principles for International Remittance Services.
- Several sending countries have already reduced the transfer costs below 10% for USD200 and USD500 dollar transfer amounts; Russia and Saudi Arabia have already reached the targets of 5% costs for both transfer amounts.

7. Financial inclusion

Action: Establish Global Partnership for Financial Inclusion

- A multi-stakeholder GPFI conference on SSBs and fnancial inclusion took place on 29th Oct 2012, hosted by the Financial Stability Institute at the Bank of International Settlement.
- The Data and Measurement sub-group has focused on reaching GPFI agreement on a G20 Basic Set of Financial Inclusion Indicators (the G20 Basic Set) for adoption by the Los Cabos Summit.

  In addition, the DWG 2012 welcomes:

  - Signifcant progress by several Standard Setting Bodies (SSBs).
  - The SME Finance sub-group continues the work successfully delivered in 2011 to improve the policy environment and identify and scale up successful models of SME fnancing.
  - We recognise the progress made by the GPFI and encourage it to continue with the implementation of the Financial Inclusion Action Plan.

8. Domestic resource mobilisation

Action 1: Support the Development of More Effective Tax Systems

- "Ask OECD Task Force on Tax and Development, UN, IMF, WB, & other regional organisations to identify key capacity constraints faced by developing countries in their tax systems & make recommendations; medium term develop management platform and promote South-South cooperation; survey and disseminate all G20 and international organizations; set up objective measures; identify ways to help developing countries tax multinational enterprises through effective transfer pricing

- Result reported at Summit in France (November 2011)

Action 2: Support Work to Prevent Erosion of Domestic Tax Revenues

- Report submitted at the summit in France in November 2011.

  In addition, DWG 2012 welcomes:

  - Technical assistance coordination platform launched February 2012 by the Global Forum on Transparency and Exchange of Information for Tax Purposes responding to a G20 request
  - The on-going work on strengthening revenue systems and call for greater coordination to ensure alignment relevant actors to strengthen and enforce procedures and policies
  - Countries to sign the Multilateral Convention on Mutual Administrative Assistance in Tax Matters"

9. Knowledge sharing

Action: Enhance the Effectiveness and Reach of Knowledge Sharing

- Request the Task Team on South-South Cooperation (TT-SSC) and UNDP to recommend how knowledge sharing activity, including North-South, South-South, and triangular cooperation, can be scaled up
- Launching a platform to enhance coordination of technical assistance by the Global Forum on Transparency and Exchange of Information

  In addition, DWG 2012:

  - Looks forward to full implementation of KS platforms on agriculture and food security, human resource development and growth with resilience

Table B2: Tracing commonwealth priorities in G20 communiques and actions

Area	Key priorities for Commonwealth and Francophonie	G20-ComSec communique	Link to Seoul Consensus and its follow-up. Has progress been made?
Trade Commonwealth (2011)	Expand G20 DFQF to 100%, all G100	Cape Town	No progress, for non-LDCs (not in MYAP)
	Development friendly RoO	Cape Town	No progress and not in MYAP
	LDC services modalities for all G100	Cape Town	Only for LDCs so far
	Conclude Doha	Cape Town	No progress
	Ambitious A4T agenda (incl. trade adjustment)	Cape Town	This is being discussed, especially in Africa
	Address preference erosion through aid for adjustment, SVEs are excluded from major trade deals	Cape Town	Through AfT, although many country excluded from regional trade deals
	Climate change and export competitiveness	Cape Town	Not discussed
Financial inclusion Massa et al (2011)	Ensure existing G20 agenda sensitive challenges faced by to small and poor states (e.g. data collection, or regulation),	Cape Town	Some progress, but lack of suffcient attention to small states issues in SME guidelines, SME fnance challenge and fnancial inclusion indicators.
	G20/institutional -new lending policies: e.g. to address across-country inclusion	Cape Town	No
	New G20 proposals –e.g. south/south learning on mobile fnancial services	Cape Town	Yes, some learning under GPFI

Area	Key priorities for Commonwealth and Francophonie	G20-ComSec communique	Link to Seoul Consensus and its follow-up. Has progress been made?
Growth with resilience Briguglio (2011)	An initiative to expand the country-focused vulnerability and resilience profling exercise launched by the Commonwealth Secretariat;	Cape Town	Resilience as a principle, but weak implementation in the action plan
	initiative to fnance programmes in these countries fostering resilient growth, through the creation of a Growth with Resilience Trust Fund (GRTF); and	Cape Town	No new fund established, but G20 fscal and fnancial stimuli for G20 and Trade Finance.
	The development of a framework to promote growth in PSMV countries.	Cape Town	MYAP is a general growth model, without specifc small state features
	Strengthening outreach	No	Weak outreach
	Reduce remittances costs and increase remittances (2011 general paper)	No	Progress on remittances and costs
Food security Commonwealth and Stevenson (2012)	Commitments / investment AFSI and monitoring progress of AFSI	Washington	AFSI pledges met in terms of commitments (2012 report)
	Building national capacity to develop food security plans in PSMV	Washington	Agresults pilot projects in Zambia, Kenya, Nigeria, not yet others (as of March 2013)
	Discourage use of export restrictions	No	Good progress on removing export restrictions
	Developing a toolbox for increasing productivity of small landholders; promote use of risk management techniques, establish networks of support;	Washington	AgResults
	Research on food security PSMV	Washington	No emphasis on PSMV
	Sustainable use of natural resources (e.g. governance, transparency)	Washington	Market information (AMIS)
Infrastructure (in 2011 paper, te Velde, 2011)	Infrastructure for sustainable development	No	HLP and studies, but implementation of MDB action plan and HLP?
Knowledge sharing (in 2011 paper, te Velde, 2011)	Promote diversity and link with small states network	No	Little information available, and very little on small states.

Appendix C: G20-Commonwealth meeting outcome statements

Outcome Statement: Commonwealth-Francophonie-G20 Meeting

Washington DC

1. Meeting in Washington DC on the sidelines of the IMF and World Bank 2012 Spring Meetings, the Commonwealth and La Francophonie held an outreach meeting with Mexico, 2012 President of the G20, together with several members of the G20 Development Working Group (DWG). Commonwealth and Francophonie participants included a large number of developing countries from Africa, Asia-Pacific and Caribbean regions. The meeting provided an important opportunity for several of the world's poorest, smallest and most vulnerable countries to share with the G20 Chair and some of the G20 DWG members, their experiences in addressing their most pressing development challenges, as well as their perspectives on the key priority actions needed by the international community, including the G20, to address these challenges. Participants noted a wide range of challenges, including inter alia the challenge of achieving sustainable development, addressing regional challenges and finding regional solutions to these, as well as identifying job-creating pathways to higher growth, strengthening green accounting frameworks, and addressing the challenges that many of our member countries face in building sustainable wetlands and marine resources.
2. We welcomed Mexico's initiative to hold the outreach meeting and the opportunity this has provided to receive an update on recent developments within the G20, and in particular the work of the G20 DWG. Our meeting builds on the successful Commonwealth-Francophonie and G20 DWG outreach meeting held in Cape Town in 2011, which focused on the acute challenges in building growth with resilience, strengthening international trade and promoting financial inclusion in the poorest, smallest and most vulnerable members of the Commonwealth and Francophonie. Our discussions today have extended and deepened our on-going dialogue on development issues.
3. We welcomed the continued pursuit by the G20 DWG of its multi-year action plan on development, noting in particular that the plan focuses on several policy challenges which are of critical importance to developing Commonwealth and Francophonie countries. As stated by the Mexican Presidency, G20 priorities for 2012 include improving food security, fostering financial inclusion, the pursuit of inclusive green growth and sustainable development and infrastructure development. Our discussions recognized that food insecurity and the challenges of building green growth and green economies in the context of sustainable development rank among the most urgent priorities in many of the poorest,

smallest and most vulnerable countries of the Commonwealth and the Francophonie and accordingly we have focused our discussion today on these two priorities.

4. We welcome Mexico's initiative to begin G20 work on inclusive green growth and sustainable development. This initiative recognizes the particular importance of green growth and sustainable development to low-income countries and small island developing states who are most dependent of their natural resources. We have sought to build on these efforts through a detailed discussion of the priorities, experiences and perspectives of the poorest, smallest and most vulnerable members of the Commonwealth and the Francophonie. These countries are particularly challenged by profound interconnected challenges related to climate change, water, food and energy security. For these countries, the concepts of green economies and green growth in the context of sustainable development offer an important opportunity to address their challenges in a holistic way, opening for them a transformation pathway, away from crisis, towards growth and sustainable development. Our discussion has shown that for these countries, building green economies, green growth and sustainable development can provide resilience to external shocks, reduce environmental risks and protect and enhance the natural resource base of the economy. In their pursuit of green growth and sustainable development, these countries also share many of the objectives of the G20, including the need to generate new sources of growth and employment, particularly amongst the youth, increasing energy effciency, promoting sustainable consumption and production and renewable energy supplies.

5. Evidence from the poorest and smallest members of the Commonwealth and Francophonie has highlighted four key priorities for the international community, including the G20, in support of their efforts to promote green economies, green growth and sustainable development. These include a scaling up of investment in the natural resource base of developing countries as a key basis for green production and growth; new initiatives to promote knowledge sharing on the experiences, practices and lessons learned to date in forging effective pathways to green growth and sustainable development, including building communities of practice in these countries, in visioning and implementing specifc Green Economy policies and strategies; identifying and securing viable fnancing options and frameworks to support transformative actions in developing countries; and achieving stronger and more concerted international support for costed and time-bound national implementation frameworks for the Green

Economy which embrace an integrated and cross-sectoral approach tied to sustainable development objectives. Our discussions have also shown that to build momentum for the achievement of these priorities, increased international recognition and commitment will be needed, of the special challenges faced by these countries, in building more resilient economies, through key global processes in 2012, including the forthcoming G20 Los Cabos Summit, the Rio+20 Conference and the UNFCCC climate change process. We have urged that these processes be pursued with both a high level of ambition to support the development of climate resilient, lower-carbon economies in particularly vulnerable countries and strengthened efforts to bring the international community closer to an agreed and more joined-up approach to sustainable development in these countries.

6. We welcomed the important progress which has been made by the G20 in promoting food security and the commitment of the G20 Presidency to take this forward. Food insecurity poses an acute challenge to many of the poorest, smallest and most vulnerable members of the Commonwealth and the Francophonie. Our discussions have examined these challenges, including the causes of food insecurity in these countries in terms of both the availability of food and access to it. Compelling evidence has shown that food insecurity can quickly erode resilience and exacerbate vulnerabilities in these countries. We have examined several examples of the impacts this is having, on countries' abilities to maintain effective social safety nets, reduce poverty and achieve sustainable growth; and have considered an extensive range of measures being implemented by these countries to promote food security, including strengthened national strategic plans, experience sharing, training, the management of food reserves, weather risk and social protection mechanisms.

7. We have also recognized that national efforts need to be complemented by more concerted international action to strengthen food security in the poorest, smallest and most vulnerable countries. Evidence from these countries highlights the need for a cohesive set of measures to achieve this. These include securing longer-term commitments for future investment, financial and technical assistance; enhancing support for building national capacity; enabling a growth-oriented global trade environment; adapting new research to better assist the poorest, smallest and most vulnerable developing countries; developing tools to help increase productivity for small landholders in countries that face the greatest development challenges; promoting long-term sustainable use of natural resource proceeds, adapted where possible to the needs of the poorest, smallest and most

vulnerable countries; and encouraging the international community including the G20, to broaden, for these countries, the set of development issues associated with food insecurity, including a more detailed focus on environmental factors.

8. The Commonwealth and the Francophonie have also identified food security as a major global challenge. Commonwealth Heads of Government discussed food security at their summit in Perth in October 2011 and set out the Perth Declaration on Food Security Principles; and leaders of the Francophonie at their Summit meetings in 2008 and 2010 have similarly strongly emphasized the urgency in addressing food insecurity in the poorest developing countries. We recognized that the two associations have strong comparative advantages in advocacy and consensus building, developing networks of support, sharing knowledge and learning, both among countries and regions. We noted that research by the two associations, into some relatively lesser known causes of food security, the inter-linkages among food security, trade and green growth and sustainable development, and on how the causes and impacts of food insecurity have differing impacts across countries, can contribute to a better understanding of the some of the international policy measures to be adopted in addressing food insecurity.

9. We welcomed Mexico's commitment to intensive G20 outreach and the work of the Commonwealth and Francophonie Secretariats on food security and green growth and sustainable development. We have agreed to continue to collaborate closely to facilitate dialogue and the sharing of knowledge and information across G20 and non-G20 member states, and with wider audiences. We agreed that a strong outreach process by the G20 DWG is essential to the success of its multi-year action plan on development and that the Commonwealth and the Francophonie, two associations which include the majority of the worlds' poorest, smallest and most vulnerable countries, can play an important role in bringing to the attention of the DWG the key developmental challenges and priorities of these countries. We have agreed to explore further opportunities to deepen the dialogue between the G20 DWG and the two associations.

10. We thanked the Mexican G20 Presidency for facilitating this meeting and the World Bank for providing the venue for our meeting. We are also grateful to the Government of Australia for its financial support for the Commonwealth-G20 development dialogue.

Cape Town Statement on the G20 Multi-Year Action Plan on Development

Commonwealth Secretariat and Organisation Internationale de La Francophonie
June 28, 2011

1. Members of the Commonwealth and the Francophonie, including a number of developing countries from Africa, Asia-Pacifc and Caribbean Regions, together with several G20 members of the two associations, participated in a Commonwealth-La Francophonie conference on the G20 Multi-Year Action Plan on Development, held in Cape Town on 28th June 2011. We welcomed a presentation by South Africa, co-Chair with France and Korea of the G20 Development Working Group (DWG) on progress by the DWG. We also welcomed the attendance and participation of a number of other G20 member countries and international organisations.

2. We refected on the multiple challenges confronting developing countries of the two associations, particularly the poorest, smallest and most vulnerable economies, including a disproportionate risk of failing to overcome poverty and other consequences, and the need to strengthen growth and manage risks associated with weak resource capacity and economic vulnerability.

3. We welcomed the establishment and pursuit of the G20 DWG multi-year action plan on development. The nine areas of this action plan – infrastructure, human resource development, trade, private investment and job creation, food security, growth with resilience, fnancial inclusion, domestic resource mobilization, and knowledge sharing - are critical development challenges. Our discussion focused on three of these pillars - trade, growth with resilience and fnancial inclusion. These areas rank among the most essential areas of challenge for developing countries in securing sustainable growth, effectively participating in global trade and widening and deepening domestic fnancial markets to ensure the participation of the unbanked and small and medium enterprises.

4. The poorest, smallest and most vulnerable countries have seen their share of global trade progressively decline. We noted that two interlinked factors - inadequate market access and limited trade capacity – have contributed to this; and agreed that domestic policy action and consistent multilateral support can serve to enable these countries to become more competitive and expand their exports. The Doha Development Round has now stalled. We urged the DWG to promote an urgent initiative to return development issues to the centre stage of the WTO negotiating agenda, with particular attention paid to the issues of agriculture, preferential market access, rsntiiEi cginnt, traes in ntvicries anG

5. We offered a number of practical suggestions to the DWG, including proposals to establish a task force to examine the feasibility of a more comprehensive duty-free and quota-free market access framework; examining options to simplify and streamline rules of origin; and early and concerted implementation of the WTO services modalities for LDCs and the expansion of these modalities, as well as the overall G20 preference regime to benefit all of the poorest and most vulnerable countries. We noted a number of additional issues affecting trade in these countries, including non-tariff barriers such as standards and labelling; regional integration, the effects of climate change on trade and initiatives to expand aid for trade and productive capacity development. South-South trade to these countries is particularly important and we called for improved market access provision by emerging market economies. Several further practical suggestions include monitoring progress on aid for trade and coordinating the implementation of development-related commitments.

6. We considered the challenges experienced by the poorest, smallest and most vulnerable countries in achieving growth with resilience so as to withstand economic shocks, including low growth rates, high debt rates and the impact of climate change and natural disasters. The smallest countries are especially vulnerable because of their economic openness, dependence on a narrow range of exports, dependence on strategic imports and peripherality. We welcomed the economic resilience framework and country-focused vulnerability and resilience profiling developed and successfully piloted by the Commonwealth Secretariat, which focuses on competitiveness, savings, macroeconomic stability, market efficiency, good political governance, social development and environmental management. We recommended that the DWG promote its use, expand the country-focused vulnerability and resilience profiling exercise, create a Growth with Resilience Trust Fund to finance programmes in developing countries which foster growth with resilience; and develop a framework to promote growth in the world's poorest, smallest and most vulnerable countries.

7. We welcomed the progress made by the G20 in promoting financial inclusion. We noted the wide range of initiatives implemented by developing countries to promote financial inclusion, including technological and market innovation, private investment initiatives and financial literacy training initiatives, and the successes which have emanated from these initiatives. Several factors influence access to finance by households including employment, education and qualifying requirements. We reviewed supply side and demand side factors affecting the

financing of small and medium enterprises in developing countries, including small amount transactions, lack of transparency, limited tailored financial services, limited competition, and physical inaccessibility. Where necessary, developing countries should implement policies to address these factors. A number of further practical measures were recommended to meet the goals of financial inclusion. These included the adoption of an SME financing framework that is appropriate for developing countries; development of a set of indicators on financial inclusion; the formulation of principles for effective financial inclusion, development of region specific programmes; new initiatives to build capacity, including in insurance and m-financial services as well as south-south learning programmes; reviewing IFI lending policies towards countries, and re-considering the financial action task force principles in small states.

8. We welcomed this conference and the work of the Commonwealth Secretariat and La Francophonie on trade, growth with resilience and financial inclusion. We have asked the two organisations to collaborate closely with the G20 DWG through facilitating dialogue to address the needs of the poorest, smallest and most vulnerable countries. We recognised that a strong outreach process by the G20 DWG is essential to the success of its multi-year action plan on development, and we urge the G20 DWG to draw on the resources of the Commonwealth and La Francophonie in the context of extensive analytical research, consensus-building and advocacy.

9. We expressed appreciation to the Government and people of South Africa for hosting this conference. We agreed to reconvene shortly to discuss challenges and options in regard to innovative finance for development.

Appendix D: G20 development principles

1. **Focus on economic growth.** Be economic-growth oriented and consistent with the G20 Framework for Strong, Sustainable and Balanced Growth, which requires narrowing of the development gap. More robust and sustainable economic growth in LICs will also go hand-in-hand with their capacity to achieve the MDGs. Actions and policies should have the capacity to signifcantly improve the prospects for inclusive, sustainable and resilient growth above business as usual.
2. **Global development partnership.** Engage developing countries, particularly LICs, as equal partners, respecting their national ownership and recognizing that the most important determinant of successful development is a country's own development policy. Ensure that actions foster strong, responsible, accountable and transparent development partnerships between the G20 and LICs.
3. **Global or regional systemic issues.** Prioritize actions that tackle global or regional systemic issues such as regional integration where the G20 can help to catalyse action by drawing attention to key challenges and calling on international institutions, such as MDBs, to respond. Focus on systemic issues where there is a need for collective and coordinated action, including through South-South and triangular cooperation, to create synergies for maximum development impact.
4. **Private sector participation.** Promote private sector involvement and innovation, recognizing the unique role of the private sector as a rich source of development knowledge, technology and job creation. Encourage specifc ways to stimulate and leverage the fows of private capital for development, including by reducing risks and improving the investment climate and market size.
5. **Complementarity. Differentiate,** yet complement existing development efforts, avoiding duplication, and strategically focus on areas where the G20 has a comparative advantage and can add value focusing on its core mandate as the premier forum for international economic cooperation.
6. **Outcome orientation.** Focus on feasible, practical and accountable measures to address clearly articulated problems that are serious blockages to signifcantly improving growth prospects for developing countries. Such measures should have the potential to provide tangible outcomes and be signifcant in impact. Implementation of G20 action on development should be monitored through an adequate accountability framework.

Appendix E: The G20 – positive and negative aspects in relation to accountability of the G20

Positive aspects	Negative aspects	Suggestions
• Included **emerging powers** quickly and effectively, revealing their interests • Effective **crisis manager** • Focus on activities such as agenda setting, policy, **policy coordination, consensus building** and task distribution across existing institutions • Promoting **mutual understanding** and more personal relationships • **Leadership and effectiveness** • Systematic coordination • Linking dialogues • Flexibility • Platform for **exchange of ideas** • Instances of an accountability framework in relation to fnancial reporting • Topics of success: Bretton Woods institution reform, banking regulation agreement, coordinated stimulus	• Unclear **membership criteria,** 173 countries excluded, few African, small or low-income countries, 'plurilateralism of the big' • Ignored G24 and UN, weak representational legitimacy • No mechanisms for **accountability** to the broader international community • **Lack of communication** of results/self-reporting • *Ad hoc* nature, non-binding, lack of formal set of rules • Troika does not work • Small initiatives not game changers • Weak narrative on **implementation capacity**; lack of clarity of how agreements of G20 meetings are implemented • DWG agenda too broad, disconnected pillars • **Undermines** existing system of multilateral cooperation in IFIs/UN • Legitimacy cannot be restored by a strategy of 'concessions at the margins' • Lack of continuity • Lack of evidence on mutual assessment system works	• Transform G20 into **global economic council** with formally weighted power • Take steps to recognise that effective leadership involves making **commitments that stick** • Establish an independent audit **mechanism/permanent accountability framework** for commitments including surveillance and peer review • Establish objectives and **measurable criteria for membership** • **Develop outreach** to broader range of countries and develop permanent secretariat to institutionalise outreach • Provide good **demarcation** between the role of the G20 and that of other bodies, such as the G8 and the UN • **Communicate** commitments and implementation paths

Source: Te Velde (2012)

Appendix F: Comparing key statistics for small states and country groupings

Table F1: Comparing small states with other country groupings (data are for 2011, unless otherwise stated)

	Small States				LICs	MICs	HICs	SSA
	All	Caribbean	Pacific	Other				
FDI in fows (% of GDP)	4.62	4.12	6.22	4.80	4.12	2.79	2.09	3.19
Remittances (% of GDP)	4.17	5.85	6.04		7.66	1.47	0.27	2.61
ODA (% of GNI) 2010	2.97	1.06	16.73	3.27	9.58	0.26	0.00	4.11
Trade (% of GDP)	100.9	90.3	103.9	105.4	70.3	60.3	58.8	70.7
Domestic credit to private sector (% of GDP)	38.2		60.0	32.2	30.3	75.2	158.0	58.3
Ease of doing business index (1=most business-friendly regulations)	103.9	86.7	90.6	123.0	148.5	100.9	40.2	139.3
Cost of business start-up procedures (% of GNI per capita)	38.2	24.9	37.2	48.3	109.9	28.3	7.0	85.0
Cost to export (US$ per container)	1201	1058	1019	1395	2190	1386	961	1966
Debt service (% of GNI)	3.76	9.29	3.75	1.93	1.42	2.81		1.37
Total reserves (% of total external debt)	59.7	20.1	92.2	102.3	52.7	129.6		63.7
School enrolment, secondary (% net)	52.5	78.3		44.0	35.1	63.6	91.1	
GNI per capita, PPP (current international $)	8981.6	12815.4	3974.9	7486.1	1370.2	7214.3	38523.6	2238.5
Logistics performance index: Overall (1=low to 5=high)- 2010	2.4	2.5	2.3	2.4	2.4	2.7	3.5	2.4
Gross capital formation (% of GDP)	26.3			27.4	24.9	30.0	18.0	21.4

Source: WDI accessed April 2013

The Accountability of the G20's Development Agenda

Perspectives and Suggestions from Developing Countries of the Commonwealth and Francophonie

Presentation prepared for the Commonwealth-Francophonie-G20 Development Working Group Meeting
Washington, D.C
21 April 2013

Dirk Willem te Velde (Overseas Development Institute)

Introduction

- The G20 development agenda (pillars and principles) and approach to accountability
- What has been done? Has it followed and benefited Commonwealth and Francophonie countries? (based on analysis and Commonwealth survey)
- Conclusions and lessons learned

What is the G20's development agenda?

- Seoul development consensus for shared growth (November 2010)
  - G20 development principles (6)
  - Multi Year Action Plan (MYAP), 9 pillars, 16 actions
- Other actions / statements, e.g.
  - Inclusive Green Growth, Food Price Volatility
  - Others: Finance, employment, agricultural and other G20 ministers

G20 approach to accountability of the development agenda

- Accountability: (i) compliance mechanism, (ii) learning and (iii) mutual responsibility. Accountability fosters legitimacy and effectiveness.
- Seoul consensus principle (#6: *outcome orientation*) "Implementation of G20 action on development should be monitored through an adequate accountability framework."
- So far: outreach meetings, communiques, DWG reports, and developing country representation.
- G20 Accountability Report by September 2013: (i) MYAP and (ii) principles (iii) lessons learned.
- Issues:
  - Compliance with actions or also consider impact?
  - Other development related commitments?
  - Heterogeneity in type of commitments (e.g. studies, endorsements, projects)

MYAP compliance – illustrative examples

- Infrastructure - High Level Panel on infrastructure
- Human resource development - database on skills indicators in 2014, knowledge sharing platform
- Trade - Aid for Trade, Trade Finance, DFQF for LDCs?
- Private Investment and Job Creation – summary report welcomed;
- Food security – AgResults, Tropical Agriculture Platform, report on food price volatility, AMIS (transparency)
- Growth with resilience – social protection floor, commitment to reduce costs of remittances to 5% by 2014
- Financial inclusion – GPFI, G20 SME finance challenge, indicators
- Domestic resource mobilisation - progress expected on tax
- Knowledge sharing – progress on portals in 3 areas

Beyond compliance, what has been impact and visibility apart from pilot projects in 15 countries?

Tracing Commonwealth and Francophonie recommendations to G20

- *Trade* – progress in e.g. Aid for Trade, but inadequate progress on DFQF to small and vulnerable economies (not in MYAP)
- *Financial Inclusion* – progress on AFI, but no progress in considering inclusion as a cross country issue
- *Food security* –progress e.g. on AFSI or removal of export restrictions, but few signs of extensive research agendas examining food security in small states.
- *Growth with Resilience* – Progress such as a knowledge sharing portal and acknowledgment of remittances, but little recognition of the wider Commonwealth agenda on resilience.
- *Knowledge Sharing* – Little notable progress on this with respect to small states,
- *Infrastructure* - Progress through HLP, but little information on implementation and inadequate focus on the challenges of those CF developing countries which are locked out of long-term infrastructure finance.

Learning on added value of G20 in development

- *Identifying gaps* in global economic governance relevant for development;
- *Putting the spotlight* on existing development issues and new innovative solutions;
- *Knowledge sharing*– sharing experiences amongst developed and emerging countries;
- Trust and *consensus building* among G20 countries and IOs on development-related issues;
- *Building global norms* and standards;
- *Improving policy coherence for development*

Opportunities for Commonwealth and Francophonie countries to benefit from G20 development principles

1. Focus on inclusive, sustainable and resilient growth – focus on resilience
2. Strong, responsible, accountable and transparent development partnerships between the G20 and LICs – focus on partnerships through G20 – CF dialogue;
3. Prioritize global or regional systemic issues that call for collective action – focus on development dimension of G20 core issues (e.g. global finance and debt, climate change, R&D)
4. Promote private sector involvement and innovation;
5. Complementarity with other international processes; and
6. Tangible outcomes – focus on accountability *and* impact.

Conclusions, learning and issues for discussion

- Compliance with MYAP in several areas relevant to CF and consistent with CF recommendations, but there is a need for raising awareness on G20 action sometimes;
- Several MYAP pillars relevant for future (e.g. infrastructure, private investment, trade, human resources development);
- Unfinished business in some pillars or areas, e.g. debt / financial inclusion and trade preferences for small, poor and most vulnerable countries, or climate change / environment
- Using the G20 development principles to increase relevance of future development actions (e.g. development dimension of global issues and G20 core agenda)
- Gradual move in accountability from compliance to impact
- Role for Commonwealth and Francophonie countries in the G20 development agenda (analysis, consensus building, knowledge sharing, advocacy)

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Contents

1. Introduction

The Commonwealth-G20 relationship has been growing steadily. This year, in addition to engaging directly with the G20 Development Working Group (DWG) at both high and technical levels, the Commonwealth has been approached to provide its perspectives on the G20's accountability for its development commitments. This input will feed into a G20 DWG Accountability Report, prepared under the Russian G20 Presidency, and which is to be endorsed by G20 Leaders at the St. Petersburg summit in 2013.

The DWG has approached the Commonwealth to contribute the views of Commonwealth developing country members to this report. To achieve this, the Secretariat has pursued two sets of work. Firstly, a paper has been prepared for discussion at the April 2013 Annual G20 Commonwealth Dialogue. This will afford Commonwealth members the opportunity to consider the issue of G20 Accountability for its development commitments and how best the Commonwealth can contribute to this process in a constructive and practical way. Secondly, the Secretariat circulated to Commonwealth developing country members a survey focusing on aspects of G20 Accountability for development commitments. This paper summarises the responses of the latter.

In order to gauge Commonwealth developing country views on the effectiveness of the G20 in meeting its commitments on development issues, a survey (see appendix) was sent to Commonwealth developing countries in March 2013[1].

The survey provided some background on the G20 DWG commitments under the Multi Year Action Plan (MYAP) and asked countries to provide their perspectives on the extent to which these commitments have been met. Secondly, it posed questions on the relevance of the G20's development agenda; how, if at all, it is contributing to promoting the development goals of Commonwealth developing countries; and how the G20's work on development could be improved. Thirdly, respondents were invited to comment on wider G20 accountability issues (i.e. on broader G20 discussions on financial regulatory reform, crisis management, macro-economic coordination on currencies). Finally, respondents were surveyed about the major priorities and needs confronting their countries; and how best these could be focused on in the G20 going forward.

1 The survey was sent primarily to Ministries of Finance, however it was also distributed to some Central Banks and Ministries of Environment where participants were invited to attend the Commonwealth/Francophonie/G20 Outreach meetings in Washington, DC on 21 April 2013.

2. Summary of Responses

2.1 Section 1: Type of respondents, relationship with the G20

Twelve respondents from eleven Commonwealth developing countries participated in the survey. Nine of the countries—Botswana, Cameroon, the Gambia, Lesotho, the Republic of Maldives, the Republic of Mauritius, the Republic of Seychelles, Samoa and Sierra Leone—responded that they did not have any specific involvement with the G20 or the G20 Development Working Group (DWG) meetings and programmes. Bangladesh participated in the High Level Consultation on the G20 Seoul, Cannes and Mexico Summits to coordinate the Asia-Pacific voice ahead of each summit. Saint Lucia responded that it directly participated in the Commonwealth G20 DWG Meeting in Cape Town in June 2011.

2.2 Section 2: Effectiveness of the Seoul MYAP

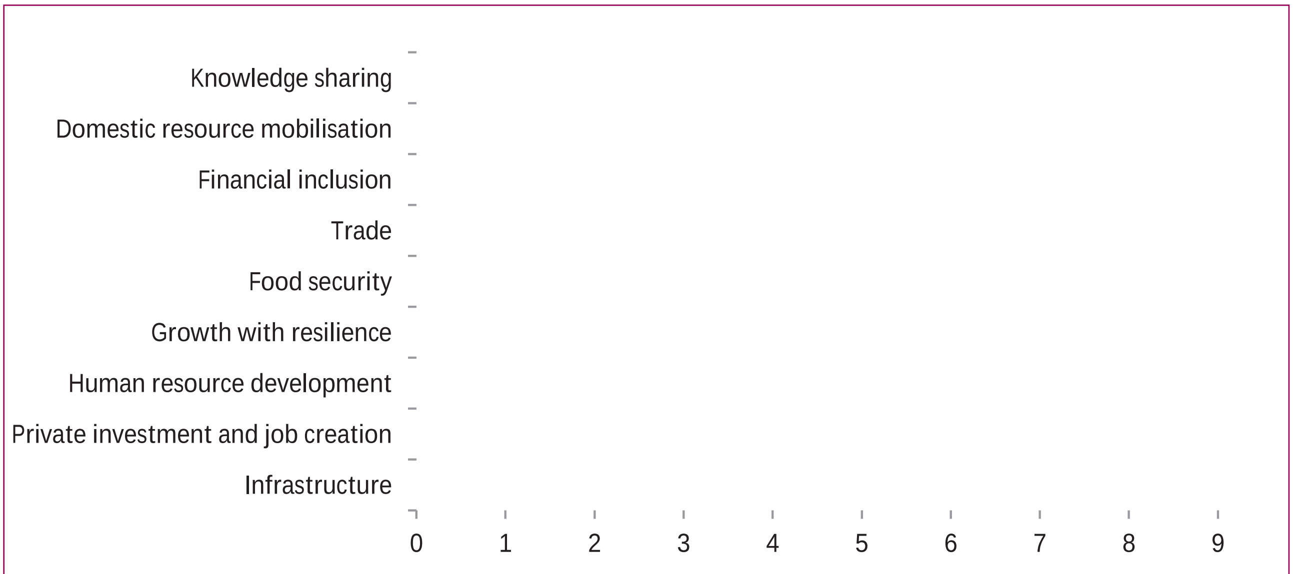
Relevance of the MYAP principles

Eight of the countries—Bangladesh, Botswana, Cameroon, the Gambia, Maldives, Sierra Leone, Samoa and Saint Lucia—suggested that the six principles were still relevant and useful. While none of the countries responded that the six principles were not relevant or useful, Lesotho highlighted that they applied particularly to low income countries, and Saint Lucia suggested that global economic integration be added as a seventh principle. The Republic of Mauritius conceded that the principles were relevant and useful as long as developmental goals were met.

Nine priority pillars of the MYAP

Of the G20 DWG's nine priority development pillars, respondents considered infrastructure, human resources development and job creation to be the most important. Over a third of respondents also considered growth with resilience to be important. The table below shows the relevance of each pillar as considered by participants:

Chart 1: Number of reponses considering each pillar a priority



Relevance of the nine pillars

Five countries (Lesotho, Maldives, Mauritius, Samoa and Saint Lucia) still found the pillars to be relevant, but of these countries Lesotho was the only one that did not suggest any pillars to be added to the G20. Although each country generally had unique responses, climate change was mentioned by four countries. Along the environment theme, renewable energy, natural resource management and disaster risk reduction were offered as suggestions. Other suggestions were health care, poverty reduction, governance, social inclusion and gender.

Perceived progress made on the commitments embodied in the MYAP

Generally the perception of progress made on each of the nine priority development pillars varied by country and the particular commitment. However, the areas with which countries were most satisfed were 'facilitate the fow of international remittances' under the pillar of growth and resilience and 'support responsible value-adding private investment and job creation' under the private investment and job creation pillar. Respondents felt that least progress was being made to 'Support developing countries to strengthen and enhance social protection programs' under the pillar of growth and reliance, and 'enhance trade capacity and access to markets' under the pillar of trade. Least awareness was shown on the progress made on fnancial inclusion commitments. Table 1 below summarises the responses:

Table 1: Number of respondents who indicated that the progress made by the G20 on each action was poor, satisfactory, good, or that they had insuffcient awareness of the commitment:

Pillar and action under MYAP	Progress made by G20			Insufficient awareness of commitment
	Poor	Satifa-ctory	Good	
Infrastructure				
Develop comprehensive infrastructure action plans	1	4	2	5
Establish a G20 high-level panel for infrastructure investment	1	4	2	5
Human resource development				
Create internationally comparable skills indicators	0	3	2	5
Enhance national employable skills strategies	1	2	1	5
Trade				
Enhance trade capacity and access to markets	3	5	2	2
Private investment and job creation				
Support responsible value-adding private investment and job creation	0	5	4	3

Pillar and action under MYAP	Progress made by G20			Insufficient awareness of commitment
	Poor	Satifa-ctory	Good	
Food security				
Enhance policy coherence and coordination	1	5	1	4
Mitigate risk in price volatility and enhance protection for the most vulnerable	2	6	0	4
Growth with resilience				
Support developing countries to strengthen and enhance social protection programs	3	5	0	3
Facilitate the fow of international remittances	0	6	1	4
Financial inclusion				
Establish the global partnership for fnancial inclusion	2	2	2	6
SME fnance challenge and fnance framework for fnancial inclusion	1	5	0	6
Implement the action plan for fnancial inclusion	2	3	0	6
Domestic resource mobilisation				
Support the development of more effective tax systems	2	4	2	4
Support work to prevent erosion of domestic tax revenues	2	3	2	4
Knowledge sharing				
Enhance the effectiveness and reach of knowledge sharing	2	3	1	5

The responses also indicate that approximately a third of respondents had insuffcient knowledge of the commitment made, suggesting a need for stronger communication on MYAP actions and progress.

When progress was considered 'good' in Table 1 and respondents were requested to provide examples of commitments being met, the answers were again quite diverse. Only fve respondents gave specifc examples. The use of panels and workshops was mentioned, as well as the support of the World Bank, UN and the IMF.

Communication of G20 commitments and results on its Development Agenda

Respondents pointed out that commitments and results on the G20 Development Agenda are usually communicated via various channels, including the IMF, World Bank, the G20 website and through regional G20 members. However, most respondents suggested that there is scope for communication to be improved. Specifc suggestions include:

- To use other multilateral and regional institutions to transmit G20 development policies and messages
- The publication of a G20 newsletter to inform stakeholders of G20 commitments
- Further outreach meetings with non-G20 members, involving regional and multilateral organisations
- High level consultations with all the associated countries
- More pilot projects, under the pillars set by MYAP, could be undertaken in non G20 countries with close supervision of G20 progress monitoring mechanism
- The use of social media

2.3 Section 3: Wider G20 accountability issues

Seven respondents considered the wider G20 discussions (e.g. fnancial regulatory reform, crisis management, debt management and macro-economic coordination on currencies) to be as important as the G20's specifc development commitments outlined in the MYAP. Two respondents considered the wider G20 discussions to be more important (Seychelles and Mauritius) and two respondents thought that they were less important than the development commitments in the MYAP (Samoa and Cameroon).

Most respondents also thought that these wider G20 discussions should be subject to a more thorough accountability framework.

Several respondents voiced a desire for the G20 to be clearer in its goals and objectives at the beginning of a new project or pledge; apply greater monitoring during implementation of its commitments; and improve reporting on its progress. Only one country voiced concerns about the G20 becoming too rigid as a result of a more thorough accountability framework, although they did reiterate that an accountability framework was necessary.

One respondent also suggested governance reforms to address accountability issues which include the transformation of the G20 into a global economic council with formally weighted power; institutionalising outreach with a broader range of countries; establishing objectives and measurable criteria for membership; and providing a good demarcation between the role of the G20 and other international bodies.

Improving the impact of the G20 on developing countries, especially the poorest, smallest and most vulnerable countries

Most countries stated that for the G20 to enhance its impact for developing countries, especially the poorest, smallest and most vulnerable are, it needs to better engage with developing countries, provide financial commitments and budgetary support and assess the impact of G20 policies on small, poor and vulnerable economies. Specific suggestions include:

- Provide more direct public investment and budgetary support
- Increase the number and regularity of outreach meetings
- Have a dedicated discussion on issues facing the poorest, smallest and most vulnerable countries
- Consider the poverty reduction strategies of small and vulnerable countries
- Increase knowledge sharing with other economies
- Provide training opportunities to students from developing countries especially the very small Island States at University level so as to increase the availability of trained human capital within these countries
- Accelerate action on G20 commitments and develop further concrete actions that have an impact in these countries
- Increase communication on projects implemented in the concerned countries

Further steps for improving the accountability of the G20 to the international community for its work in development

Suggestions for how the G20 could be better held accountable to the international community for its work in development centred around the need for transparency, evaluation and regular reporting on its development initiatives to developing countries and multilateral organisations. There were several suggestions:

- More regular publications and reports on the G20's projects and progress, e.g. an annual report, or a catalogue of projects by country and a timeframe for execution
- Clear evaluation framework
- Greater involvement of international and regional organisations, such as the World Bank, UN and the African Union
- Set up an evaluation/assurance committee to follow up on G20 commitments

3. Conclusions and next steps

3.1 Survey conclusions

Commonwealth developing country members responded to a range of questions on the relevance of the G20's development agenda; the effectiveness of the G20 in meeting its commitments; and the importance of wider G20 development issues beyond the MYAP. They were also invited to provide suggestions on how the G20's impact in developing countries could be improved; how the G20 could be better accountable for its work on development; and ways in which the Commonwealth Secretariat and their own countries could help this process.

From the eleven responses received, while there was much variation in the perceived effectiveness of the G20 in meeting its MYAP commitments and in the development priorities of each country, there was a general view that the G20 needs to enhance its efforts in transparency, regular communication, evaluation of its projects and policies and outreach to non-G20 members in order to be more accountable for its development concerns.

Although the development priorities vary from country to country, several responded that infrastructure development, job creation, more favourable trade conditions and climate change were particularly important development challenges for the coming years.

While the principles embodied in the MYAP were seen by the large majority to be appropriate, and the development pillars seem to refect many of the concerns of developing countries, there was a view that little progress was being made on G20 commitments on enhancing trade capacity and supporting developing countries to strengthen social protection programs. In addition, the general lack of awareness of the G20's commitments on development and progress to towards achieving them prompted a range of suggestions on improving communication and evaluation efforts.

Furthermore, many respondents echoed the need to more regularly involve developing countries and their representative organisations in the planning, implementation and monitoring stages of the G20's work on development. They also indicated a willingness to help support this process by providing administrative support, partaking in peer reviews, and participating in Working Groups.

3.2 Secretariat suggestions for next steps

Further to the recommendations from the participants of the questionnaire, the Secretariat would like to propose the subsequent steps for short and long term follow-up:

- If G20 members show continued interest in this issue, the Commonwealth Secretariat can host a meeting between developing country members and the DWG, either at Marlborough House or in a developing Commonwealth country, some time in 2014. This will enable a more detailed engagement and discussion on G20 accountability for its work in development, and provide an opportunity to identify further practical options.
- The above could be coupled with a session considering developing country perspectives on the G20's forward agenda on development.

- The Commonwealth Secretariat will continue to seek further responses to the questionnaire and will provide any further updates at a date to be agreed upon with the Russian DWG Chair, prior to finalisation of the G20 Accountability report.

Appendix: Sample questionnaire

Section 1: Relationship with the G20, including the G20 Development Working Group (DWG)

1.
   2010? *(Please tick appropriate box)*

Direct participation in G20 or G20 DWG discussions/meetings ☐

Please specify ____

DWG programmes were piloted in your country ☐

Please specify ____

No specific involvement in G20 or G20 DWG meetings or programmes ☐

Section 2: Effectiveness of the Seoul [Multi Year Action Plan (MYAP)]

2. To what extent are the six principles[2] embodied by the MYAP still relevant and useful? Are they the right ones?

3.
   trade, private investment and job creation, food security, growth with resilience, financial inclusion, domestic resource mobilisation and knowledge sharing.

   a. Of the nine areas of focus, which are the three most important for your country?

   b. Do the nine G20 pillars fully cover the development challenges of your country? If not, what is missing?

[2] The six principles are: Focus on economic growth for poverty reduction; a global development partnership; prioritize global or regional systemic issues that call for collective action; private sector participation; complementarity with other international processes; and tangible outcomes.

4. The table below is a short summary of the specific commitments made by the G20 DWG to take action in each of the nine priority development pillars. For each of these please tick the appropriate box.
   Further details on the specific commitments can be found on the MYAP.[3] Information on the progress
   progress report.[4]

Pillar and action under MYAP	Progress made by G20			Insufficient awareness of commitment
	Poor	Satisfactory	Good	
Infrastructure				
- Develop comprehensive infrastructure action plans	☐	☐	☐	☐
- Establish a G20 high-level panel for infrastructure investment	☐	☐	☐	☐
Human resource development				
- Create internationally comparable skills indicators	☐	☐	☐	☐
- Enhance national employable skills strategies	☐	☐	☐	☐
Trade				
- Enhance trade capacity and access to markets	☐	☐	☐	☐
Private investment and job creation				
- Support responsible value-adding private investment and job creation	☐	☐	☐	☐
Food security				
- Enhance policy coherence and coordination	☐	☐	☐	☐
- Mitigate risk in price volatility and enhance protection for the most				

6. What is your experience of how the G20's commitments and results on its Development Agenda are communicated beyond the G20? How can this be improved?

Section 3: Wider G20 accountability issues

7. Do you think the wider G20 discussions (e.g. financial regulatory reform, crisis management, macro-economic coordination on currencies) are less important, as important, or more important for your country than the G20's specific development commitments in its Seoul Multi Year Action Plan on Development?

8. Do you think that the wider G20 discussions, outside the Seoul Multi Year Action Plan on development, should be subject to a more thorough accountability framework? If so, what should be the elements of such a framework?

9. What would you like to see the G20 do differently to improve its impact for developing countries, especially the poorest, smallest and most vulnerable countries?

10. How could the G20 be held accountable to the international community for its work in development?

Section 4: Priorities for Commonwealth developing countries

11. What do you consider to be the most important 3-4 issues the G20 should focus its development efforts on in the next 2-3 years?

12. What role can the Commonwealth Secretariat play in ensuring better accountability of the G20 to developing countries on its development agenda?

13. What role can your country play in helping to implement or monitor G20 development actions?

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