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HEINRICH BÖLL STIFTUNG

Environmental & Human Rights Policy - the G20 as a standard setter

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Where do we go now? New world, too many ideas?

A summary report by Sandro Gianella

The G20 members can be compared to a group of travellers on a journey. The first few days of the journey are full of excitement and anticipation and one is usually eager to learn from and share stories with fellow travellers on the road. Similarly, the heads of government of the newly elevated G20 were full of praise during the first summits in Washington, London and Pittsburgh, soon calling the new grouping the “premiere forum for international economic cooperation”. Much had been accomplished in a rather short time and under unprecedented circumstances; moreover, everyone was certain that this was just the beginning of a great trip.

However, when travelling, soon one can experience a certain lull, maybe even become a little homesick and overall see the world through a more realistic and pragmatic lens. In addition, the people with whom one is sharing the journey may become a little boring, if not annoying, talking about the same topics over and over again. At the June 2010 Toronto summit, G20 members may have had such feelings when they were unable to agree on common principles and binding policy commitments. Rather, the participants were tiptoeing around the important issues and put many decisions on hold for the Seoul Summit in November 2010.

To carry through with the traveller analogy, the summit in South Korea was a moment when the group could no longer defer the important decision on which road to take to reach the next

destination. Some would even argue, that the members were not even in agreement on the destination. Nonetheless, looking back at the Seoul Summit, the G20 managed to reach a minimum consensus on issues such as IMF reform, global financial safety nets, a new development action plan. Also, since their plan to address global economic imbalances is failing (imbalances are more pronounced than ever) they struggled to find solutions.

Our travellers have now gone through ups and downs and know about the particular interests of each and every member of the group. As a result, making decisions and reaching consensus on how to move forward from here has become even more difficult. As it happens, a rather outspoken and ambitious member has taken over the lead and seems to be punching above his weight. At a time when some members are uncertain why they embarked on the trip in the first place, President Sarkozy remains adamant that the G20 has a tremendous role to play in global governance and that France will push through an ambitious agenda.

Sarkozy has officially announced the French G8 and G20 agenda in a [landmark speech](#) on the 24th of January. Under the motto “New World - New Ideas” he highlighted the following key priorities:

- ▶ the reform of the international monetary system
- ▶ combating the price volatility of commodities (Sarkozy: “we run the risk of food riots in the poorest countries and a very unfavourable effect on global economic growth”)
- ▶ the reform of global governance
- ▶ innovative financing

When the UK Sherpa Jon Cuncliffe met with NGOs, he argued that the G20 is now “operating in management rather than breakthrough mode and that its work through various working groups is on-going throughout the year. Germany and Mexico will co-chair a newly created working group on the world monetary system and hold a seminar in China at the end of March. Russia will oversee a working group looking at reforms to the agricultural market, seeking ways to control what Sarkozy sees as instability in global food prices. Lastly, Great Britain has been asked to re-examine the nuts and bolts of global governance: studying plans for a permanent G20 secretariat, a world environmental body and a reform of agricultural organisations. Sarkozy also reiterated his desire for a financial transaction tax (FTT), which he hopes to hammer out during his year at the G20 helm. In his words: “France considers that this tax is moral, given the financial crisis that we have just been through, useful for dissuading speculation and effective for finding new resources for development of poor countries.”

While the G20’s effectiveness in many areas is debatable, it appears that the G20 is hot-wiring global governance of international development. That is, it is identifying the mandates and agendas for the work of an array of global institutions working in low-income countries, which are excluded from G20 membership. (A car is hot-wired when it is started without the key.)

In this edition of the newsletter we cover a wide array of issue-areas and opinions:

- 1) Kirk Herbertson of [World Resources Institute](#) and Nancy Alexander of HBS look at the G20 as a standard setter and ask whether it could push for the internalization of environmental and human rights impacts in order to lead to better investment decision-making.
- 2) Nancy Alexander looks at the implications of the G20 for global governance.
- 3) Marta Benavides introduces the [Global Call to Action against Poverty \(GCAP\)](#) and the important role of increased civil society involvement in the G20 process.
- 4) Ilcheong Yi of [UNRISD](#) discusses the financial transaction tax and its link to social security.
- 5) Karen Hansen-Kuhn of [IATP](#) gives an update on the on-going discussion within the G20 on commodity and food price volatility, a topic that certainly will remain on the top of the global agenda in 2011.

Key meeting dates for [France’s G20 presidency](#)

January

24th: President Sarkozy makes keynote speech on the agenda

27th: Sarkozy is due to speak at the Davos World Economic Forum

30th: Sarkozy at African Union summit in Addis Ababa to discuss the G20 development agenda.

February

16th-18th: Meeting of the Institute of International Finance, and central bankers scheduled in Paris

18th-19th: G20 finance ministers meet in Paris, talking about the setting of indicative guidelines for measuring global imbalances

April

14th-15th: G20 finance minister talks in

Washington ahead of the April 16th-17th spring meeting of the World Bank and the IMF

May

26th-27th: G8 summit Deauville

June

G20 agriculture ministers meeting in France

November

2nd-4th G20 summit in Cannes

Environmental & human rights policy: The G20 joins the ranks of standard setters

By [Kirk Herbertson \(World Resources Institute\)](#) & [Nancy Alexander \(Heinrich Boell Foundation\)](#)

The global financial crisis has led governments to think about risk management from a broader systemic point of view. This includes, to a certain extent, greater focus on the environmental and human rights risks that are often overlooked in investment decision-making. Financial analysts and investors traditionally did not consider these risks to be “material.” However, governments, companies, and international organizations increasingly acknowledge that environmental and human rights risks can seriously damage the reputation of a company or development project. In response, numerous international financial institutions - such as the World Bank Group, UN climate change funds, and OECD export credit agencies - are updating their “standards” for environmental and human rights risk management.

Now the G20 has assigned itself a role in standard-setting. In November 2010, at the Seoul Summit, the G20 adopted a “Multi-Year Action Plan for Development,” which gives a series of mandates to the global institutions involved in environmental and human rights risk management. (See our summary of the Action Plan <http://www.boell.org/downloads/multi-year-plan-short.pdf>.)

“Is it politically feasible to harmonize the environmental and human rights standards of international financial institutions?”

This commentary discusses whether G20 engagement in standard-setting could result in greater harmonization of environmental and human rights standards.

Everyone’s a standard setter

Financial institutions often require clients to undertake some form of environmental and human rights due diligence as a condition of financing. Just as a project developer ensures that an investment is financially and technically feasible, it must also ensure that the investment does not harm the environment or human rights. Most major public and private financial institutions have adopted standards for doing this.

No institution’s standard is universally accepted as best practice. Some standards are consistent with international environmental and human rights law, while others fall short. Some standards are similar, while others contradict one another.

Governments have long spoken of the need to harmonize aid and have taken steps to do so. Is it politically feasible to harmonize the environmental and human rights standards of international financial institutions? Harmonization would provide clear standards for borrower governments and companies, who are becoming overburdened with conflicting standards. In particular, the time and money lost in paperwork and reporting to different standard setters can overwhelm smaller governments and companies. Companies also remain exposed to reputational risk and media scrutiny, even when they think they are acting responsibly. From local communities’ perspectives, conflicting standards can leave gaps in due diligence, so that a project developer might not systematically consider the full range of potential impacts. Harmonization of standards, in contrast, would provide clarity and predictability for governments, companies, and communities alike.

The G20 role: opportunity or threat?

The G20 has appointed a high-level panel to review the infrastructure plans of the World Bank and regional development banks with the goal of massively expanding infrastructure financing. In this process, the panel will also “assess how best to integrate environmental safeguards into infrastructure development in an effective and cost efficient manner” and report to meetings of G20 Ministers in June and Heads of State in November 2011. The scope of the assessment will likely include social and human rights standards as well as environmental ones.

With regard to standards for the private sector, the Action Plan declares, “We will identify, enhance as needed, and promote the best existing standards (developmental, social and environmental) for responsible investment in value chains and voluntary investor compliance with

these standards.” But what will emerge from this exercise?

The influence of the G20 over international financial institutions, such as the World Bank, is largely untested. As a result, it is unclear what types of mandates the G20 might put forward, and whether they will be acted upon. Some key aspects to watch:

- ▶ The Finance Ministers who represent their governments at the G20 are often the same who serve as governors of the multilateral development banks. The G20 Finance Ministers control more than 65% of the votes in the World Bank.



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- ▶ Among civil society groups, the G20 is notoriously difficult to engage. The G20 process, from action plans to implementation and reporting, rarely provides space for public participation.
- ▶ The primary goal of the G20’s 2010 Action Plan is to scale up financing for infrastructure, rather than to promote stronger environmental and human rights risk management.

Conclusion

As many officials of multilateral development banks will attest, robust civil society participation in standard setting has been constructive and informative, and has led to stronger policies that promote greater volumes of financing while also respecting the rights of local communities. We encourage governments to open up the G20 standards review process to civil society participation. Above all, we hope that the G20’s review will not only aim to scale up financing, but also seek to internalize the costs of environmental and human rights impacts in order to lead to better investment decision-making.

Uncharted Territory in Global Governance

By [Nancy Alexander](#) (Heinrich Boell Foundation)

This article cites ways in which we are in uncharted territory with respect to the natural environment, the global financial system, and global governance arrangements. It describes how the G20 is remaking global governance in ways which may have less impact on finance, trade and climate rules than on the future of international development.

Uncharted Territory

Environmentally, we are in uncharted territory. The year 2010 is tied with 2005 as the hottest year on record. Together with the growing list of climate-related catastrophes, global warming is presenting humanity with an ultimatum.

Financially, we are also in uncharted territory. After two centuries of Western economic hegemony, we see the ascendance of emerging market economies with surging growth rates which have outstripped those of the West for a decade. According to the World Bank's "2011 Global Economic Prospects," growth rates in emerging markets are projected to be more than double the rates in advanced countries. Although the emerging market countries account for only around 25% of global GDP, in 2011 they will account for almost half of global growth.

Patterns of dependence are shifting before our eyes as the US and Europe increasingly rely on foreign governments, especially China, to finance their spending. Nervous markets suggest that they may deliver an ultimatum to the West: Rating agencies (Moody's and Standard & Poor) warned the US this month that – without action to correct its deteriorating fiscal situation – its AAA credit rating is at risk. Already, bond spreads show that the default risk for some euro zone countries is bigger than for emerging markets like Ukraine or Argentina.

According to some experts, the West has not backed away from the economic precipice. At the release of World Economic Situation and Prospects 2011, an [UNCTAD official stated](#), "The three big regions-Japan, Europe and the United States have not yet overcome the difficulties fully. And, given the fact that they are withdrawing their policy stimulus, there is indeed an enormous danger that the recovery will stall in the course of this year."

The West is in uncharted territory at a time when the credibility of its "Washington Consensus" has been shattered and discredited and, in some

countries such as the U.S., unemployment rates stand at historic highs. The paradigm of the "Washington Consensus," which took a radical approach to deregulation, fostered a kind of global interdependence that "became the carrier of economic ruin," as noted by [World Bank Chief Economist Justin Lin in his seminal speech](#), "A Global Economy with Multiple Poles."

During the global financial crisis, the Group of 20 (G20) was upgraded from a ministerial to a leader's summit. And, nine emerging market economies (as well as Australia and Saudi Arabia, and the EU) have joined the G8, ostensibly to chart a path to recovery and rebalancing of the global economy.

However, the G20's overarching plan - as articulated in its "Framework for Strong, Sustainable and Balanced Growth" - is riddled with problems. (See: <http://www.imf.org/external/np/exr/facts/pdf/g20map.pdf>.) The Framework could dampen or cripple global recovery by calling for too much fiscal austerity too quickly in too many countries. It could accelerate global warming by neglecting the need for a low-carbon path to accompany its initiatives to: a) boost global demand by increasing the domestic consumption of China and other surplus countries and b) promote fiscal consolidation in advanced economies. Although the ILO is supposed to be a G20 "partner," the Framework also calls for cutting minimum wages and dismantling collective bargaining in many countries.

In addition, the G20 is not paying attention to the fact that the "Washington Consensus" became the carrier of environmental as well as economic ruin. The French have put climate financing on the agenda of the 2011 Cannes Summit and South Africa will reportedly use its new membership in the BRIC (Brazil, Russia, India, China) group to



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intensify the global campaign on climate change. However, given the positions of countries such as the U.S. and Canada, which recently rejected climate legislation, it is unlikely that the G20 will make any headway.

G-20: Hot-wiring the governance of international development?

While the G20 is at loggerheads with regard to global rules to govern finance, trade and climate, the body is poised to hot wire governance of international development.

“Hot-wiring” occurs when one or more governments (the G7, G8, or G20) establish or influence the mandates and agendas for an array of global institutions. (A car is “hot-wired” when it is started without the key.) For three decades, the G7 “hot-wired” global institutions – such as the IMF and World Bank – to promote its “Washington Consensus,” which was a colossal failure for most developing countries. Ironically, countries such as China and India that flouted the paradigm or, more accurately, took a gradualist and selective approach to adopting the paradigm, are now beginning to “call the shots.”

The G20’s “Multi-Year Action Plan for Development” (adopted at the November 2010 Seoul Summit) signifies that we are in uncharted territory with regard to global governance, since it gives a series of mandates to global institutions which heretofore have established mandates through their own executive bodies. (See our summary of the Action Plan <http://www.boell.org/downloads/multi-year-plan-short.pdf> with attention to which “agents” are designated to implement each of nine Plan priorities.)

The Action Plan has virtually no environmental dimension and, with its almost exclusive reliance on the private sector, one wonders if its implementation could continue the process of “kicking away the ladder” of

development from poorer countries as, in many ways, the G7 tried to do. (Authored by Ha-Joon Chang, “Kicking Away the Ladder” (2002) argues that all industrialized countries relied on state intervention in the market in order to get rich and then tried to forbid other countries from doing similarly.)

Importantly, the Action Plan is being implemented primarily in less developed countries – that is, in many of the 172 countries that are excluded from G20 membership.

As an example of potential “hot-wiring,” one can assess how the G20 intends to scale-up infrastructure financing. The G20 has appointed a 12-person high-level panel (HLP) to review and possibly harmonize the infrastructure plans for the World Bank and regional development banks with the goal of massively expanding infrastructure financing. In this process, the panel will also make recommendations with regard to environmental and social safeguards. (See previous story by Herbertson and Alexander.) When the G20 finance ministers agree to some version of the HLP’s recommendations, will the ministers have the power to dictate their

acceptance by the development banks? As one World Bank Executive Director stated, his country’s Finance Minister who calls the shots at the G20 is the same person who, as a Governor, calls the shots at the World Bank. The G20 Finance Ministers control more than 65% of the votes in the World Bank.

It appears as though global bodies are accountable to the G20 and the G20 is accountable to no one. By designating itself as “premier forum for international economic cooperation,” the G20 was not just establishing another global body. **Rather it was creating a super-structure capable of giving “mandates” to all global institutions and, thereby, orchestrating global economic and political processes.** In outlining plans for the Cannes Summit, the French note that – through the G20 – they have “obtained the necessary mandate” to reform global governance, among other things. (See <http://www.franceonu.org/spip.php?article5256>.)

Being in uncharted territory, it is important for civil society to explore questions, such as:

- ▶ Can the G20 be a power for democratizing global governance, particularly governance of economic development? If so, what would it take?
- ▶ Given the shortcomings of the West’s dominant paradigm, what can be done to ensure that the G20 and other global bodies effectively foster a new paradigm based on equity, respect for the earth’s finite resources, and the imperative to curb global warming?

Given that we are in uncharted territory – environmentally, financially, and with regard to global governance – it is important that we construct new maps to guide our progress. Our destination on the new maps is a place of security, dignity and sustainability for humanity. We cannot afford any more detours that sacrifice the ecosystem on the market’s altar.



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GCAP, it's call, and the G20

By [Marta Benavides](#) (Co-Chair, [GCAP](#))

The Global Call to Action on Poverty (GCAP) is considered one of the largest civil society coalitions to work on uniting national, regional and global coalitions for the purpose of creating a space for the voices of impoverished and socially excluded peoples around the world as well as for effective advocacy for achieving justice, equality and equity for the world we want ... a world worth living in.

This global movement was the result of people's movements working on monitoring and pressing for the fulfillment of the Millennium Development Goals agreed by all nations at the UN in Sept 2000. At a meeting of NGOs called in Maputo, Mozambique in September 2003 by Gracia Machel, an advocate for women's and children's rights, there was an initial step toward creating GCAP and, in September 2004, GCAP launched a campaign and issued the Johannesburg declaration. President of Brazil Lula da Silva and South Africa's Nelson Mandela were early supporters, as well as prominent civil society activists such as Kumi Naidoo of Civicus, South Africa. Socially concerned foundations joined in this process and supported the mobilizations of the social movements of national, regional and global

coalitions to press for the commitments to be fulfilled by each and every government, by the UN, and by all international development and financial institutions. The purpose was to achieve the Millennium Development Goals.

The major GCAP campaigns and mobilizations come about in October around the International Day of the Eradication of Poverty, on the 17th, and on the International Day of Food, on the 16th and of Rural Women on the 15th. Each country plans and carries out campaigns and mobilizations in ways that relate to its own political realities and needs.

However, the GCAP movement is united in its commitment and call for real peace and human security for all and a healthy planet and, through this unity, GCAP has a say and impact on the decisions that affect their quality of life and the kind of world they live in and strive for. In its 2007 Stand Up Campaign, more than 47 million people joined and had active participation. Thus GCAP is a space for active collaboration and discernment on understandings and planned action, and linking of movements working on social justice.

GCAP is committed to fight the structural determinants and causes of poverty and to challenge the institutions and processes that perpetuate poverty and inequality across the world, as well as to work for the defense and promotion of human rights, gender equality and social justice. In its 2007 Montevideo Declaration, the membership made a clear commitment to democratizing the values, mechanisms and processes of negotiation and decision making in

“GCAP was the result of people's movements working on monitoring and pressing for the fulfillment of the Millenium Development Goals agreed by all nations at the UN in September 2000.”

the interest of the poorest and marginalized people, and to ensuring that equity, human security and inclusion are the key principles around which global, regional and local governance is organized.

The key areas of work are :

- ▶ public accountability, just governance and the fulfillment of human rights
- ▶ debt cancellation
- ▶ the increase in quantity and quality of financing and aid for development
- ▶ gender equality
- ▶ trade justice
- ▶ climate justice

Right now, GCAP is known as the largest civil society alliance which embraces about 100 national coalitions from all over the world, more than 50 million people, representing social movements, international non government organizations, trade unions, women, youth, peasants and indigenous people, faith groups, associations committed to ending poverty and hunger and achieving real peace and human security as well as advocating for the achievement of the MDGs. The GCAP mobilizations educate about the root and structural causes of



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poverty and press effectively at national and global levels to end the paradigm that results in the impoverishment of a high percentage of the people around the world.

GCAP has a Global Council that has been named by all the member movements, entities and task forces, and three co- chairs who are presently two women, one from Europe, one from Latin America, and a man from India, all of them also the result of democratic elections in face to face meetings. There are monthly Global Council conference

“The effective presence and monitoring of the G20 process is important in the work for the eradication of poverty”

call meetings to discern, define the work and the way to proceed. There is a Global Secretariat, whose members work in close collaboration with the Global Council, and with the co-chairs, the facilitators of the task forces, as well as with the various networks and various collaborative efforts.

By 2005, the first five-year review of the UN MDG process, GCAP had defined the importance of mobilizing in relationship to the G8 process as a path to realizing the eradication of poverty. Thus it impacted in the Gleneagles G8 Summit, which was previously only open to the heads of state of the biggest world economies and their invitees.

This civil society mobilization resulted in opening up the G8 to include the peoples’ voices and policy proposals that affected commitments by countries in relation to debt cancellation and the quality and quantity of aid.

Since then there has been a presence at the various G8 and G20 summits, and GCAP launched a G8/G20 working group that has its own process and facilitation, which has been effectively impacting and pressuring decision-makers for results. In 2009, with the support of the Gates Foundation, the Africa region worked for the inclusion of the African Union in the G20 meetings, which resulted in its inclusion in the Seoul meeting in 2010. GCAP works for the G192, that is the UN, to be about all the issues related to global concerns and their solutions.

The effective presence and monitoring of the G20 process is important in the work for the eradication of poverty. In each of the meetings, the work previous to it, and the follow up, decisions are made by member countries that affect - in a direct, short- and long-term way - the quality of life of humans and the planet. Whatever can be done to minimize their often negative impact must be done.

It is important, however, to accompany these initiatives with very effective work on the ground, to link them to the national movements for participatory

rather than representative democracy, in order to impact not only the policies of each nation, but also to uphold the rule of law in order to guarantee that all resources are deployed for the care of peoples and nature. The work for the eradication of poverty and hunger must rest on the understanding that in our compass, our north, is the South. This is the real work, now and always...

The author is an activist, theologian, ecologist, and educator from El Salvador. She is one of the six Salvadorans honored by the international women’s movement in the select group of 1000 Peace Women for the Nobel Peace Prize in 2005 and is the recipient of the 2003 United Nations Prize for Women’s Creativity in Rural Life.

She has been involved with conflict transformation, resolution and mediation for about 20 years and participated in the process for political solution to the armed conflict in El Salvador from the 1980s to 1992.



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G20 MUST READS

Top Risks 2011 by the Eurasia Group

Link: <http://eurasiagroup.net/pages/top-risks>

The Eurasia Group (one of the world's leading global political risk research and consulting firms) has released its yearly "top risks" report. It highlights the fact that the new geopolitical order is shaped not by military balance but by economic factors and that this new world order marks the end of a decades-long agreement on how the global economy should function. For the first time since the end of World War II, no country or bloc of countries has the political and economic leverage to drive an international agenda.

Hence, the number one risk is what the report calls "The G-Zero". In this scenario, the world's major powers set aside aspirations for global leadership - alone, coordinated or otherwise - and look primarily inward to set their policy priorities. Key institutions that provide global governance, such as the G20, become arenas not for collaboration but for confrontation; as a result, global economic growth and efficiency is reduced. The report gives a pessimistic account of the G20s future: In 2011, as the interests of developed and developing states diverge, and as American, European and Japanese lawmakers split over the relative merits of stimulus and austerity, the biggest global plenaries will experience a breakdown of order. They will become fora for political posturing at best (the Obama-Hu Jintao summit or the World Economic Forum), and conflict at worst (the Cannes G20?). In the G-Zero, domestic constituencies will become increasingly effective in pushing populist agendas on trade, currency, and fiscal policy.

As geopolitics takes on an increasingly geo-economic hue, all the G20 pledges to "avoid the mistakes of the past" will not prevent the G-Zero from taking hold and sparking other forms of conflict.

Letter to President Sarkozy by members of civil society calling for increased transparency

Link: <http://www.sherpatimes.com/global-groups/335-ingos-call-on-french-to-be-transparent.html>

Just in time for the official launch of the French G8 and G20 presidencies, a global coalition of NGOs has drafted a letter to President Sarkozy, calling for more openness and transparency within the G20 process. The letter is signed by over 50 organizations and coalitions, including Oxfam, Save the Children, Greenpeace, the ONE Campaign, Transparency International and many others.

In short, they ask Sarkozy to:

- ▶ Ensure an open and transparent process for all the meetings in the lead-up to the G8 and G20
- ▶ Organise a meeting between senior civil society leaders and G8 and G20 leaders prior to each summit
- ▶ Bring civil society and policy negotiators together during the year so civil society can influence the policy outcomes
- ▶ Make public the composition, times and locations of all the negotiators' meetings in advance
- ▶ Allow NGOs and coalitions access to the International Media Centre at each summit.

NGOs are concerned that there has been a deterioration of civil society access, while the association with businesses has increased to the point that business leaders have been invited into the actual summit meetings.

In addition, members of civil society are preparing another letter addressed to the president specifically on proposing a high level conference on financial sector taxation to be held in 2011.

Can free markets still feed the world? by Robert Zoellick World Bank

Link: http://web.worldbank.org/WBSITE/EXTERNAL/NEWS/0,,contentMDK:22802799~pagePK:64257043~piPK:437376~theSitePK:4607,00.html?cid=3001_6

In a widely debated Op-Ed, the president of the World Bank Robert Zoellick discusses the role of the G20 in the regulation of food price volatility. The [FAO food and commodity price indices](#) indeed show another dramatic hike in the prices of basic materials such as sugar and wheat.

Zoellick puts forward an argument that the G20 can indeed achieve the overarching goal of ensuring that the most vulnerable people and countries are no longer denied access to nutritious food. He proposes the following practical and interconnected steps:

First, increase public access to information on the quality and quantity of food stocks. Second, improve long-range weather forecasting and monitoring. Third, deepen our understanding of the relationship between international prices and local prices in poor countries. Fourth, establish small regional humanitarian reserves, managed by the World Food Programme. Lastly, help smallholder farmers become a bigger part of the solution to food security.

In Zoellick's view, the answer to food price volatility is not to prosecute or block markets, but to use them better. His opinion will definitely play a big role in the discussions on food price volatility in the Russian-led working-group during the French G20 presidency.

For a background reading on price volatility in agricultural markets, see the following FAO policy brief: <http://www.fao.org/docrep/013/am053e/am053e00.pdf>

The Financial Transaction Tax

A means to aid reform and universal social protection?

by [Ilcheong Yi \(UNRISD\)](#)

The history of aid shows an inverse relationship between aid on the one hand and the policy space and the level of economic growth of recipient governments on the other. That is, when aid levels rise, there are more policy conditions imposed on recipient governments by donors, which reduces "policy space" or the autonomy of governments to design policies and respond to the policy priorities of citizens. This is a factor contributing to the weak correlation between aid and economic growth. By constraining the capacity of the recipient governments to suggest alternatives, aid, *ceteris paribus*, may inhibit economic growth and poverty reduction at the national level and, consequently, progressive redistributive of resources at the global level. This is especially the case when significant levels of aid are not delivered through national budgets and aid resources are not related to the expenditure patterns and priorities of recipient governments.

“What kinds of incentives can be devised to attract the largest possible pool of contributors to the FTT on a global scale?”

For instance, studies by UNRISD suggest that aid policies based on structural adjustment and poverty reduction strategy papers (i.e. medium-term government strategies required by the IMF and World Bank) were ineffective in terms of poverty reduction since the constrained policy space of the national governments due to conditionality almost always resulted in the reduction of public provision of social services such as health, education and sanitation from which the poor are most likely to benefit.

Conditionality of the World Bank as well as the IMF is perceived as a major cause of the all-too-common inverse correlation between aid and growth and a reason why African countries are ecstatic about China's aid which appears to come with no conditionality attached. However, you don't get something for nothing. Economic assistance represents an extended arm of foreign policy, which does not come

without conditions, which too often seem to strengthen the structures generating poverty and inequality.

Aid is only part of a development equation and has to be analysed in the broader context of trade, domestic and international resource mobilisation and the international governance system (Better Aid, 2008). To address these broader aspects of development gains, the financial transaction tax (FTT) is being promoted by a wide range of civil society organisations as a way to generate revenues for a variety of developmental projects. An increasing number of research findings argue for the advantages and feasibility of the FTT as a developmental financing tool. Can the FTT solve the above-mentioned problems related to aid? Will it foster the creation of a new financial architecture - a viable alternative to present donor-recipient arrangements? What kinds of incentives can be devised to attract the largest possible pool of contributors to the FTT on a global scale? Can a new source and disbursement method of financing for development address the broader issues of recipient ownership, harmonisation and alignment of donor and recipient development priorities and mutual accountability in development partnerships, which the Paris Principles sought to address with little progress to date?

Financing should be designed and implemented within the context of a broad development strategy in which financial arrangements and development policies are mutually reinforcing. It is particularly so in the case of social policy, which is a central element for sustainable, democratic and equitable development.

The [UN Social Protection Floor initiative](#) promotes universal access to essential social transfers and social services. It is a critical initiative that the UN is attempting to place prominently on the G20 agenda. It is a noble initiative but one which needs more elaboration and sophistication based on research to establish its logic, feasibility and impact. One of the major questions involved in this research, apart from financing, is the method to achieve it, i.e. universal or targeted aid. The Brazilian experience shows, however, that the dichotomy between universal and/or targeted aid is not productive. Both approaches are necessary, as demonstrated by Bolsa Familia, a Brazilian program widely recognized as a "best practice" to reduce poverty, which is situated within the framework of universal social

protection. Bolsa Familia demonstrates the step-by-step procedure towards achieving social security and social services for all, positioning their targeting schemes as steps towards universalism.

If universal social security and social services guarantee the effective reduction of poverty, how should the global community ensure this guarantee? How can targeting schemes be designed as steps toward achieving universalism? What are the financial implications of universalism for developing countries? How can diverse financing mechanisms, such as domestic revenues, aid and the FTT, enhance efforts to achieve universalism?

The G20 Seoul Summit set forth a "Multi-Year Action Plan on Development" with an emphasis on "growth with resilience" which features social protection. However, this approach must be informed by approaches to achieve universalism. Civil society has its work cut out for it. First, it must inform the G20's program on "growth with resilience" and then it must refine its support for the FTT so as to address the deficiencies with the current aid architecture.

The French G8/G20 Summits are good opportunities for global civil society to have an in-depth discussion on the Financial Transaction Tax within a broad context of development strategy, i.e. the relationship with other resources such as domestic revenues and aid, the potential impact of taxes spent on social security and social services in developing countries, and the implications for global governance.

Ilcheong Yi, research coordinator of UNRISD and Olive Cocoman, research analyst of UNRISD are mobilising resources to have a conference titled "Universal Social Security and FTT" to address development issues related to universal social security, aid and FTT.

Food Security and Commodity Price Volatility

By [Karen Hansen-Kuhn](#) ([Institute for Agriculture and Trade Policy](#))

Recent spikes in food prices and reports of food riots in Algeria have sparked renewed public attention on the role of speculation in food price volatility. Renewed concerns of a possible second food price crisis first arose in August 2010, when poor weather conditions and speculative behavior led the Russian government to impose an [export ban](#) on wheat, triggering a sharp increase in global wheat prices. By the November 2010 G20 meeting, it was clear that food price volatility had become a persistent and potentially destabilizing problem for global hunger and the world economy. In its final declaration, the G20 called on, “relevant international organizations to develop, for our 2011 Summit in France, proposals to better manage and mitigate risks of food price volatility without distorting market behavior.”

As part of the plans for the G20 in 2011, French President Nicolas Sarkozy, who is also President of the G8 and G20 in 2011, called for a special meeting of agriculture ministers to examine the question of

food price volatility. Originally scheduled for May 22 and 23 in Paris, recent reports indicate that the meeting may be shifted to June. While the exact agenda is not set, [Sarkozy](#) is pressing for a discussion of greater transparency in commodity markets and regional food reserves.

The French government has also expressed interest in broader implementation of new U.S. rules on derivatives trading. The [Dodd-Frank bill](#), which was signed into U.S. law in July 2010, reins in destabilizing commodity trading by setting limits on the number of derivatives contracts that can be controlled by any one company or investor and requiring that most derivatives contracts be traded in public and regulated exchanges. The precise regulations to implement the legislation are being developed in 2011 and are the subject of continuing political debate in the U.S. Congress. A similar debate is emerging in Europe, where the European Commission is considering measures to limit speculation on commodity markets.

The G20 meeting will also discuss proposals to moderate volatility through the establishment of food reserves. This idea has been gaining ground since the 2008 food price crisis. The UN Comprehensive Framework for Action on the Global Food Crisis includes the consideration of reserves among its recommendations. Several groupings of countries are already taking action to implement regional reserves systems. In March 2010, the four BRIC countries (Brazil, Russia, India and China) agreed to establish a coordinated system of national grain reserves. In October, the Association of Southeast Asian Nations (ASEAN) plus Japan, China and Korea committed to establish a regional emergency rice reserve, building on a

“As part of the plans for the G20 in 2011, the French government has called for a special meeting of agriculture ministers to examine the question of food price volatility.”

pilot program that has been operating for several years. In December, West African nations meeting in Ghana explored proposals to coordinate national food reserves systems to assist each other in cases of crop failures or other crises.

These proposals, as well as others to increase investment in sustainable agriculture, develop appropriate trade rules to support food security, and reconsider the role of biofuels production on food prices and supplies, will undoubtedly be on the agenda for the G20 agriculture ministers’ meeting, and for the many NGOs around the world focusing on these issues in 2011.

Karen Hansen-Kuhn has been working on trade and economic justice since the beginning of the NAFTA debate, focusing especially on bringing developing countries’ perspectives into public debates on trade, food security and economic policy.

She has published articles on U.S. trade and agriculture policies, the impacts of U.S. biofuels policies on food security, and women and food crises.

Currently she is the International Program Director of the [Institute for Agriculture and Trade Policy](#).



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G20 Database & E-Mail Group

Stay informed

Database

If you would like to read more on the G20, recent changes in Global Governance and what it means for specific regions or issues, the G20 Database of the Heinrich Böll Foundation is the right place to go. It is subdivided into the following folders, so you can easily access the analysis and information that is of interest to you:

Folder Structure of the Database	
1 -	Background
2 -	Summits
3 -	Issues
3.1 -	Finance
3.2 -	Climate Change
3.3 -	Development
3.4 -	Energy
3.5 -	Trade
4 -	Country Specific
5 -	Power Dynamics
5.1 -	Within the G20
5.2 -	G20 to non-members
5.3 -	International Organizations
6 -	Civil Society

In addition, every folder contains both a Word and PDF document with annotations of the documents included in the folder.

The database is designed in a way that every member can add documents himself, which are then instantly synchronized so that everyone can access it. This is a great way to share information and build up institutional capacity.

If you would like to know more about the Database or sign up for access please send an Email to Sandro Gianella at gianella@boell.de. To get started right away, here are the 3 easy steps to install the Database on your computer:

1. Install the Programm "Dropbox" from <https://www.dropbox.com/install>
2. Write to Sandro Gianella, who will send you an Email invite to share the G20 Database folder.
3. Accept the invite and you should be able to access the database through a Dropbox icon on your Desktop.

E-mail Group

In addition, the Heinrich Böll Foundation is part of an international network of NGOs and policy-analysts, which have set up a G20-related E-mail Group.

To subscribe, send email to: alternative-g20+subscribe@googlegroups.com

To unsubscribe, send email to: alternative-g20+unsubscribe@googlegroups.com

To customize your subscription, go to <http://groups.google.com/group/alternative-g20> (but you need to create a Google account, if you do not have one)

Replies automatically go the whole group. To minimize email traffic, please do only reply to the whole group if necessary. There is no moderation.

The G20 Database is meant as a way for the Heinrich Böll Foundation and its partners to share and collect information surrounding the G20 and related issues.

Impressum

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