

# G20 UPDATE

E-NEWSLETTER

Issue #7 - June 2011

*subscribe to  
the newsletter  
(click here)*



Agriculture	Agriculture	Civil Society	Economy & Finance	Global Governance
<p><b>New Directions for Food Security</b></p> <p>Soren Ambrose (Action Aid International) analyzes the role of the G20 agriculture ministers, particularly in setting policies regarding food security.</p> <p><b>Page 3-6</b></p>	<p><b>Financialization of Agriculture Markets</b></p> <p>Antonio Tricarico, from the Campaign to Reform the World Bank (CRBM), criticizes the approach of the G20 towards tackling the financialization of agricultural markets.</p> <p><b>Page 7</b></p>	<p><b>G20 and the Business Community</b></p> <p>Stefan Mair, from the Federation of German Industries (BDI), proposes a more effective and legitimate means of coordination of the G20 with the private sector.</p> <p><b>Page 9-10</b></p>	<p><b>The G20: What Role in the World Economy?</b></p> <p>Nancy Alexander, Heinrich Boell Foundation North America, analyzes the outcome of the April 2011 G20 Finance Minister Meeting and the decisions that are still pending.</p> <p><b>Page 11-12</b></p>	<p><b>WWF Analysis of G8 Policy Outcomes</b></p> <p>Elise Buckle takes a closer look at the outcome of the G8 Summit in Deauville and sets out the "asks" of the WWF for the upcoming G20 Summit in Cannes.</p> <p><b>Page 13-15</b></p>

# Introduction

by Nancy Alexander

## New to the G20?

To find out more about the G20's history, the power dynamics and the issues the group addresses, click on the link below.

INTRODUCTION  
TO THE G20

In his article, **New Directions for Food Security: The Role of G20 Agriculture Ministers**, lead author Soren Ambrose of Action Aid-International notes that the entire G20 is focused on the spectre of high and volatile prices for oil, raw materials, and food products, given their implications for inflation, economic growth, access to raw materials, food security, and political stability.

Ambrose describes the importance of the first (ever) meeting of G20 Agriculture Ministers in Paris, taking place on June 22-23, 2011 as we go to press. Based upon the draft Declaration of that meeting, it appears that key outcomes will include some practical measures, but not the bold steps needed to address rising levels of hunger and food insecurity. The Ministers are expected to unveil the Agricultural Market Information System (AMIS) - a new mechanism for gathering information on food stocks and prices - and launch an International Wheat Research Initiative. Instead of setting forth a plan to use buffer reserves as a tool for emergency relief and price management, as needed, the Ministers are expected to endorse a "small regional pilot on emergency humanitarian food reserves, consistent with WTO rules."

Rather than eliminate government mandates and subsidies that have spurred the production and consumption of biofuels, as called for in a G20-commissioned paper by ten international organizations, the

Ministers expect to call for more research on biofuels. The commissioned paper, [Price Volatility in Food and Agricultural Markets: Policy Responses](#), asserts that "the diversion of food crops for use as fuel represents a permanent re-structuring of the food economy, which will exert continuing pressure on food prices in ways that will adversely affect vulnerable consumers."

The draft Declaration is remarkable insofar as it creates a myriad of new organizations and initiatives to address problems such as food and water security and principles that should govern land acquisitions ("land grabs").

This article and another entitled **Financialization of Agriculture Markets: The Problem or the Solution to Food Insecurity?** by Antonio Tricarico, Coordinator, CRBM (Campaign to Reform the World Bank, Italy) emphasize that, although financial products and capital markets are drivers of food price volatility, they are now being sold as the solution to it. For instance, agricultural producers are being urged to hedge risks through financial instruments rather than by using social and economic ones - such as building up cooperative systems or relying on public policies based on reserves and price-setting mechanisms. The G20 has directed the World Bank to work to establish a risk management advisory mechanism and associated financial products.

In an article on **The G20 and the Business Community**, Stefan Mair

of BDI (Federation of German Industries) critiques the practice at previous G20 Summits of inviting Chief Executive Officers (CEOs) from the G20 countries for Business Summits. To be legitimate, Mair suggests that the G20 invite business associations from democratic countries which are representative and independent from the state. Such participation can help guarantee G20 effectiveness since, if businesses draft a joint declaration and submit it to heads of state (as they did at the 2007 G8 Summit in Heiligendamm, Germany), businesses are likely to comply voluntarily.

Although Mair does not address the future role of firms in emerging market economies, in a [recent article](#), World Bank Chief Economist Justin Yifu Lin and the chief author of the Bank's [Global Development Horizons 2011](#), Mansoor Dailami, do. They describe the increasingly prominent role of emerging market corporations and suggest "the sort of multilateral framework for regulating cross-border investment that has been derailed several times since the 1920s."

In her article, **The G20: What Role in the World Economy?** Alexander cites predictions that, in 2050, China, India, and the U.S. (in that order) will be the largest economies. There is now wide agreement about a structural transformation in the world and that, in coming decades, Western Europe, the U.S. and Japan will no longer be dominant. What role will the G20 play in the transformation? Eminent scholars



disagree. One says that the G20 is a "joke;" another that it "lacks a legitimate mandate"; and yet others see it as a source of great promise.

In terms of the latest G20 Finance Ministers meeting in April 2011, more was put on the docket for the future than was accomplished. One achievement was the decision that the IMF would assess those economies with "persistently large imbalances" as measured by agreed-upon indicators. (See the "Must Read" page, "The G20 Indicative Guidelines").

The emphasis of the Finance Ministers' Communique was on an economic recovery that was "broadening and becoming self-sustaining." The UN had accurately predicted a global slowdown in January 2011, three months earlier, which is now (in June 2011) evident.

This issue also includes **WWF analysis of the G8 policy outcomes: The Way Forward to the G20** by Elise Buckle of World Wildlife Fund, which describes outcomes of the [G8 Declaration](#) (May 2011) and hopes for the G20 Summit in November 2011. It describes the G8 Declaration as positive when it comes to climate change and biodiversity dossiers, lacking in detail on green growth, and disappointing on nuclear and energy. On the [G8 – Africa Partnership Declaration](#), the article welcomes initiatives on access to energy and efforts to enhance transparency in payments and revenue collection linked to extractive resources. Throughout her analysis, Buckle stresses the need for new, additional, innovative sources of finance, such as the financial transaction tax (FTT). President Sarkozy has asked Bill Gates (co-Chair of the Gates Foundation) to identify innovative sources, including for climate finance, and discuss these with G20 Finance Ministers and Leaders.

Buckle is looking to G20 Leaders for concrete outcomes relating to: new indicators of green growth and economic incentives for sustainable development; investments in renewable energy, energy saving, and energy efficiency; and commitments to combat climate change and ensure access to food and energy for all.

## Two New Publications from the Heinrich Boell Foundation North America

### **The G20, Latin America, and the Future of Regional Integration**

[http://www.boell.org/web/group\\_of\\_20-790.html](http://www.boell.org/web/group_of_20-790.html)

This paper examines questions such as: What are the roles of Argentina, Brazil and Mexico in the G20? What are the implications of the G20 agenda for Latin America relating to monetary policy; regulation of commodity speculation; employment and social protection; and trade integration. Contributions are from Graciela Rodriguez, International Gender and Trade Network and Nancy Alexander, HBF

### **The G20: Maestro of the Development Finance World?** **By Nancy Alexander**

<http://www.boell.org/web/index-793.html>

While the future of the G20 in monetary, fiscal, and financial cooperation is in doubt, its future as "maestro" of the development finance world seems certain. As "maestro," the G20 is orchestrating existing multilateral and bilateral sources of assistance to promote a vision of "trickle down economic growth" in some 80 low-income countries (LICs).

This new paper by the Heinrich Boell Foundation describes the G20's Development Action Plan (DAP) that was launched at the November 2010 Seoul Summit. Since the Plan is still being designed by the G20, this paper asks three questions about how it might be improved so that LICs can get the deal they deserve.

First, does the DAP democratize the governance of development?

- The DAP was designed by the G20 with inadequate input from low-income countries (including parliaments and civil society), which are the intended beneficiaries of the Plan. Whereas the business community has formal channels of influence over the DAP, parliamentarians and civil society have informal and ad hoc channels.

Second, does the DAP promote a new model for development or rely on discredited economic policies?

- The thrust of the DAP is to leverage public-private partnerships (PPPs), particularly in infrastructure and agriculture in order to promote economic growth and trade integration, in some respect, its emphasis on liberalization and privatization looks like the old, discredited "Washington Consensus."

Third, given the fact that LICs emit low levels of greenhouse gases yet suffer the gravest consequences of global warming, what does the DAP do to help them?

- The DAP does not address climate change. Indeed, despite its emphasis on infrastructure (e.g., energy and transport) and agriculture, the G20 has no explicit program to encourage a low-carbon development path.

To achieve positive development, the G20 should support strong leadership by LICs, including their parliaments, and civil societies, in order to industrialize; address climate change; achieve food sovereignty; and broaden democratic participation in development.

**This paper recommends that the G20 either put a more democratic, participatory, and transparent institution in charge of the DAP or become such an institution itself.**



# New Directions for Food Security:

## The Role of G20 Agriculture Ministers

By Soren Ambrose (Action Aid-International) with input from Nancy Alexander (Heinrich Boell Foundation North America)

Within the G20, Brazil, Canada, France, and Japan lead the work on the food security pillar of their Development Action plan (in conjunction with several international institutions and initiatives). The entire G20 is focused on the specter of high and volatile prices for oil, raw materials, and food products, given their implications for inflation, economic growth, access to raw materials, food security, and political stability. Worldwide, unemployment and high food and fuel prices breed discontent. Moreover, many Low-income countries are experiencing budget shocks due to the high cost of food and fuel imports. LICs could spend a shocking 18% of their total import bills on food this year, compared with the world average of 7 percent.

Mexican Finance Minister Cordero recently stated "...to improve food security in the longer term, the international community should support countries' ability to feed themselves. For this the resilience of the small-holder agricultural system – a characteristic of developing countries – must be reinforced."<sup>1</sup> Indeed, over the last decades, country after country has lost this ability and then been held hostage to increasingly large and volatile import bills for its most basic foodstuffs. However, food sovereignty is not yet on the G20 agenda.

### The Agenda of the G20 Agriculture Ministers Meeting

Due to its concern about food security and volatile prices, the G20 requested a joint paper from ten international organizations<sup>2</sup>, [Price Volatility in Food and Agricultural Markets: Policy Responses](#) (hereafter, the "G20 paper"), which was issued on June 2, 2011. The French presidency is convening the

first (ever) meeting of G20 Agriculture Ministers in Paris during the same week as this newsletter is being sent out (June 22-23, 2011). The draft Declaration of this meeting is entitled, [Action Plan on Food Price Volatility and Agriculture](#) (hereafter, the "draft Declaration") and puts priority on improving:

1. agricultural productivity;
2. information and transparency in agriculture markets;
3. "policy coherence and coordination" (particularly with the [Rome Principles](#)) in order to prevent and manage crises;
4. risk management tools for governments, firms and farmers; and
5. the functioning of the agriculture commodities' derivatives markets.

According to the draft Declaration of Ministers, we should expect:

- ▶ the **unveiling of Agricultural Market Information System (AMIS)** - a new mechanism for gathering information on food stocks and prices.
- ▶ endorsement of a "small regional pilot on emergency humanitarian food reserves, consistent with WTO rules," but no support for buffer reserves as a tool for price-management.
- ▶ more research to respond to the G20 paper's proposal to eliminate mandates, targets, and subsidies for biofuels.
- ▶ the launch of an International Wheat Research Initiative.
- ▶ endorsement of the World Bank Group's decision to develop innovative risk management tools for governments and firms, including the new Agriculture Price Risk Management (APRM) product; and a request that the World Bank work with other development banks to establish a risk management advisory mechanism.

- ▶ an invitation to international organisations to produce a first report to the G20 on how water and related issues could be addressed as part of the G20 agenda in 2012. The ministers also support the initiative of the World Bank and the regional development banks to scale up their interventions in the framework of an Action Plan on Food and Water Security.

The issue of excessive speculation in commodity markets will be addressed by Finance Ministers, not Agriculture Ministers. But on this critical issue, the French will be working with their allies to insist that commodity derivatives markets be subject to regulations that ensure the stability of food and financial markets.

### The State of Play on Key Issues

Below, the "state of play" is reviewed with regard to: (1) AMIS: New Transparency on Food Supplies; (2) Food Reserves; (3) Biofuels; (4) Productivity and Organic Agriculture; (5) Public Private Partnerships (PPPs); (6) The Role of Women in Agriculture; and (7) Speculation in Commodity Markets.

#### 1) AMIS: New transparency on food supplies

If the ministers' recommendations are implemented, a new Agricultural Market Information System (AMIS) will be established to gather information on food stocks and markets around the world, encouraging much greater transparency and information-sharing than currently takes place. The apparent breakthrough has been securing China's agreement to participate in the system, though [statements](#) from French Agriculture Minister Bruno Le Maire and others make clear that implementation will

be gradual and negotiations on just how much information will be shared and made public still needs to be decided.

The draft Declaration of the Agriculture Ministers meeting states that the AMIS will be housed at the Food and Agriculture Organization (FAO) with a secretariat including the World Bank and the Organization for Economic Cooperation and Development (OECD), along with five other organizations<sup>3</sup>. AMIS would be complemented by the AMIS Rapid Response Forum, staffed by experts and government officials, which would determine when shortages or price increases were reaching critical stages meriting collective intervention. It is critical that low-income countries be represented on this Forum.

## 2) Food reserves

To guarantee food security, any agricultural system has to have a reserve component – buffer reserves to influence food prices or at least emergency reserves. The U.S. and a few other G20 members maintain that buffer reserves are prohibitively expensive and violate the ideological principle of non-interference by governments in markets. Some claim that, even for the purpose of guarding against emergencies, having food stocks on hand requires too much management and too much transport and storage of food to be cost-effective.

**If the minister's recommendations are implemented, a new Agricultural Market Information System (AMIS) will be established**

While it's clear that reserves are neither cheap nor easy, it's also clear from many experiences (e.g., the 2008 crisis) that there is no substitute for having food stocks on hand when price spikes and shortages hit. The U.S. government does not take an absolute position against all reserves, but says that

CC-License by [United Nations Photo](#)



this function can be handled through setting aside cash and through "virtual" reserves – deploying futures contracts to ensure supplies. These strategies can be helpful in some situations, but governments have a responsibility to make sure that food is available when needed and these remedies simply cede that function to international markets, which are highly fallible.

## World Food Program (WFP) Proposal: PREPARE

The G20 Agriculture Ministers plan to endorse a "small regional pilot on emergency humanitarian food reserves, consistent with WTO rules." This may be a scaled-down version of a proposal by the World Food Program to coordinate food reserves, the Pre-positioning for Predictable Access & Resilience (PREPARE) system. This proposal, which was included in the G20 paper, would accomplish at least three important objectives:

1. establish the need for efficient coordination of national and regional reserves and a coordination mechanism;
2. commit all of the G20 countries to supporting a coordinated reserve system in order to combat hunger during shortages and price shocks; and
3. commit regional reserve programs to making purchases from local smallholder farmers where feasible, thus providing a steady market for producers.

Importantly, the WFP proposal

rejects the use of buffer stocks to influence food prices. It is almost taboo to talk about using buffer reserves as a price control mechanism – i.e., the capacity of regional bodies or national governments to combat high prices by releasing food reserves into markets in a measured way and combating low prices for producers (at harvest time, for example) by buying up food for the reserves at a target price.

There are strong arguments that food is simply not a commodity like others: it is a non-negotiable life necessity and cannot be wholly subject to market trends. No one is suggesting that buffer reserves should be used to influence global food prices; but they are an indispensable tool for balancing price pressures at the local, national, and regional levels.

► **The WFP proposal on emergency reserves deserves support, as does a proposal by ActionAid for a G20 study on the potential for buffer reserves to control price volatility.**

## 3) Biofuels

The G20 Agriculture Ministers expect to commission research on biofuels. To date, they have not embraced the important findings and recommendations of the G20 paper which asserts that the diversion of food crops for use as fuel represents a permanent re-structuring of the food economy, which will exert continuing pressure on food prices in ways that will adversely affect



vulnerable consumers. The paper calls for the elimination of government mandates and subsidies that have spurred the production and consumption of biofuels – a stance that clashes with the positions of several G20 countries, most notably the United States. The European Union is also implicated, since it has a system of ascending targets for biofuel use, though some of its governments (e.g., Germany) are more open to discussing new approaches. Brazil has a long-established (30 years) system which integrates ethanol into the national fuel supply; its government might also resist attempts to limit usage.

**There is little indication that the Ministers will spearhead a shift from industrial to organic agriculture**

Anticipating the political difficulty of getting its recommendation accepted, the G20 paper adds an annex which outlines a “second-best” solution – “flexible mandates”

under which official targets or mandates for biofuel production or use are automatically lowered when prices of foodstocks that are used for biofuels rise by a specified amount or food shortages are determined to be imminent. While the U.S. has been circumspect about pushing its biofuel positions, it is unlikely that it will concede much if the proposal is seriously discussed in Paris. Most observers anticipate that the discussion, or at least its conclusion, will be postponed.

► **The G20 should be encouraged to stop the expansion of unsustainable industrial biofuels production.**

**4) Productivity and organic agriculture**

The G20 Agriculture Ministers are focused on the challenge of increasing agricultural productivity through many new initiatives, including (1) a “G20 seminar on Agricultural Productivity” in October 2011; (2) the first G20 conference on agricultural research for development, involving G20 agricultural research centers, in Montpellier, France on September

12-13, 2011; (3) the launch of an international voluntary network called the “G20 Global Agricultural Geo-Monitoring Initiative” to improve crop production as well as weather forecasting.

There is little indication that the Ministers will spearhead a shift from industrial to organic agriculture. Yet, if this shift is to occur, the myth that organic agriculture cannot sufficiently boost productivity must be debunked. Vigorous research demonstrates that organic methods can produce yields equal to those of industrial agriculture. “Model estimates indicate that organic methods could produce enough food on a global per capita basis to sustain the current human population, and potentially an even larger population without increasing the agricultural land base,” states a University of Michigan report.<sup>4</sup> “These results (the research) indicate that organic agriculture has the potential to contribute quite substantially to the global food supply, while reducing the detrimental environmental impacts of conventional agriculture.”<sup>5</sup>

A 2009 [joint assessment report of the World Bank and the United Nations \(UN\)](#) by over 400 researchers and scientists concludes that “business as usual” policies and actions need to shift away from industrial food systems to more sustainable agricultural practices. A recent World Bank report concludes that current agricultural practices and associated land use changes account for more than 30 percent of global greenhouse gas emissions.<sup>6</sup> Other reports concur, and specifically address agriculture within the context of climate change in ways that reduce dependence on chemical inputs (based on fossil fuels) and build on local knowledge to develop new responses to changing climatic conditions.

A recent [report presented to the United Nations Human Rights Council](#) by Special Rapporteur on the Right to Food, Olivier De Schutter, expresses a clear view: “Conventional farming relies on expensive inputs, fuels climate change, and is not resilient to



CC-License by [Aquafornia](#)

climatic shocks. It simply is not the best choice anymore today.”

### 5) Public-Private Partnerships (PPPs)

The draft Declaration encourages PPPs to increase productivity growth through investment in agricultural institutions, extension services, research, roads, ports, power, storage, irrigation systems, information and communication technology, and climate change adaptation. The Ministers aim, in particular, to use PPPs to improve market and value-chain cooperation and procurement from smallholders.

PPPs can pose financial, social, and environmental risks, especially in LICs where the private investor is often the “senior partner” and the government the “junior partner.”

Therefore it is critical that PPP contracts be structured in ways that protect the government (and taxpayers) from excessive financial risk and in ways that protect the human rights, including land and water rights, of smallholder farmers and vulnerable groups, including women.

### 6) The Role of women in agriculture

The draft Declaration states, “we will give special attention to smallholders, especially women, in particular in developing countries, and to young farmers.” As Jacques Diouf, director-general of FAO proclaimed at a [recent press conference in Rome](#): “Gender equality is not just a lofty ideal, it is also crucial for agricultural development and food security.”

Rural women are the backbone of agriculture throughout much of the developing world. A [report](#) argues that they produce half of the world’s food; in some developing countries women produce as much as 80 percent of the food.<sup>12</sup> It is [estimated](#) that women’s agricultural work produces 35-45 percent of gross domestic product (GDP) in developing countries.

Comprehensive analyses on gender equality issues are essential when addressing climate change and food security initiatives. Remarkably, gender impacts of policies and programs are still frequently ignored. For example, the Committee on World Food Security acknowledged that women farmers receive only 5 percent of agricultural extension services worldwide.<sup>7</sup>

### 7) Commodity speculation

President Sarkozy has argued that, in recent years, the rapid increase in volumes of speculation in food commodities on international markets has played a large part in creating food price volatility. Recent studies show evidence of a clear correlation between the entry of large index funds – vehicles for institutional investors like pension funds – into food commodity markets around 2003 and the increase in price volatility. There is general agreement that some greater regulation is needed and here the U.S. has taken positive steps with the passage of the “Dodd-Frank” legislation, which provides for greater oversight of such trading, including moving more of such trading onto recognized exchanges

instead of on an “over-the-counter” basis.

The Declaration issued by the BRICS (Brazil, Russia, India, China, and South Africa) in their April 2011 Summit is also positive, saying, “The regulation of the derivatives market for commodities should be... strengthened to prevent activities capable of destabilizing markets.”

The G20 paper lays out several options for regulatory reforms that could help control the impact of commodity speculation, including the adoption of position limits, limits on daily price fluctuations, and specific rules to limit high-volume trades (sometimes called “noise trading”). While the paper only calls for consideration of these options, the G20 should be encouraged to support the efforts being made by the U.S., the European Commission and others to establish new rules in these areas.

**Soren Ambrose** is the development finance coordinator at Action-Aid-International, based in Nairobi, Kenya. He was one of the lead organizers of the April 2000 protests against the IMF and World Bank which brought upwards of 20,000 to Washington, DC.

#### Sources:

<sup>1</sup> Ernesto Cordero, Secretary of Finance and Public Credit, “Statement to the Development Committee of the IMF and World Bank” on behalf of Mexico, Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua, Spain, and Venezuela, April 16, 2001.

<sup>2</sup> UN Food & Agriculture Organization (FAO), World Bank, International Monetary Fund (IMF), World Trade Organization (WTO), International Fund for Agricultural Development (IFAD), UN Conference on Trade and Development (UNCTAD), WFP (World Food Program), International Food

Policy Research Institute (IFPRI), Organization for Economic Cooperation & Development (OECD), and the UN HLTf (High-Level Task Force) at the Commission on World Food Security (CFS).

<sup>3</sup> International Food Policy Research Institute (IFPRI), the UN Conference on Trade and Development (UNCTAD), the World Food Program, the World Trade Organization and the UN High Level Task Force for food security and nutrition (UN HLTf).

<sup>4</sup> Catherine Badgley and et al., “Organic Agriculture and the Global Food Supply,” Cambridge Journals, June 9, 2006,

Introduction, doi:10.1017/S1742170507001640.

<sup>5</sup> *ibid.*

<sup>6</sup> Dipti Thapa and Marjory-Anne Bromhead, The Hague Conference on Agriculture, Food Security and Climate Change, Opportunities and Challenges for a Converging Agenda: Country Examples, issue brief, Conference ed. (World Bank, 2010), pg. #2.

<sup>7</sup> “Women Organising for Change in Agriculture and NRM,” Women Leaders’ Dialogue, 36<sup>th</sup> session of the Committee on World Food Security, 13 October 2010.

# Financialization of Agriculture Markets

## The Problem or the Solution to Food Insecurity?

By Antonio Tricarico, CRBM (Campaign to Reform the World Bank, Italy)

To address the volatility of food prices, the French Government, the G20 Agriculture Ministers, and the G20 Development Working Group may take two steps toward establishing a market-based risk management approach, which would rely on derivatives and other financial markets instruments. First, the G20 may give the World Bank's private sector arm, the International Finance Corporation (IFC) new mandates in this area. The IFC has a leadership role in promoting capital markets in developing countries in order to push end users and small agricultural producers to hedge their risks through financial instruments rather than by using social and economic ones – such as building up cooperative systems or relying on public policies based on reserves and price-setting mechanisms.

### If the G20 marginalizes the Committee on Food Security (CFS) it will expedite the financialization of agricultural markets

In this way the IFC is promoting a **further** financialization of agriculture markets which will necessarily increase food price volatility given the fact that the amount of liquidity being pumped into these markets by financial speculators dwarfs the volume of commercial exchanges linked to real production. So, although financial products and capital markets are a driver of food price volatility, they are now being sold as the solution to it.

Second, the Canadian government proposal to the G20 on advance market commitments (AMC) to finance research in agriculture would

advance the financialization of agricultural research. AMCs are already being used to finance health research. For instance, under a new AMC program, the Gates Foundation and five national governments—Italy, Canada, Norway, Russia, and the United Kingdom—have committed \$1.5 billion to purchase pneumococcal vaccines once they have been developed by firms. These commitments provide vaccine makers with incentives to invest in manufacturing plants needed to develop vaccines and produce them on a large scale.

Analogous programs in agriculture would organize governments to provide AMCs to finance private research in agriculture to identify new ways to increase productivity and possibly guarantee a fixed level of return to private companies for new product licenses.

If applied to Genetically Modified Organisms (GMOs) or a new "green revolution" approach, this would have adverse impacts on peasants and small farmers because it would favour large agroindustry companies as well as the dominance of financial markets in agriculture research. **Instead, G20 governments should review their commitments to support public research at the CGIAR with the goal of shifting toward research related to sustainable small-scale agriculture and agroecology rather than the current industrial agricultural production model.** Such a shift would help reduce price volatility by reintroducing local cereal production, thereby delinking local markets and consumption from financialized and highly volatile global markets.

If the G20 marginalizes the Committee on Food Security (CFS)

housed at the FAO, it will expedite the financialization of agriculture markets. The CFS is focusing on food price volatility and international investment in land through a multistakeholder process in which civil society groups sit at the negotiating table throughout the decision-making process. Moreover, a high-level panel of experts, which is finalising the CFS report on food price volatility, has interacted with civil society and endorsed some of its arguments.

In the run-up to the G20 meeting of Agriculture Ministers on June 22-23, 2011 in Paris, the French Government and the G20 are undercutting the CFS process by convening another multistakeholder consultation at the OECD on June 16-17. The French government, which has co-organized the consultation with FNSEA, the major and more conservative farmers' union, calls this consultation "the first multistakeholder pilot forum" on food security. This consultation with only a few hand-picked governments and civil society organisations is unhelpful, particularly since the G20 recognises the CFS as the supreme forum for establishing policy coherence on food security.

Antonio Tricarico is Coordinator at the [Campaign to Reform the World Bank \(CRBM\)](#), based in Italy.



# G20 MUST READS

## From G20 to Global Economic Council

by Danish Institute for International Studies (DIIS)  
March 2011

Link: <http://diis.dk/sw106138.asp>

The article summarizes the key arguments of a DIIS report by Jakob Vestergaard titled [The G20 and beyond - Towards effective global economic governance](#)

It suggests that the G20 is the wrong forum to tackle global economic governance and consequently calls for the creation of a Global Economic Council that is anchored in the Bretton Woods system.

Three reasons are given for why the G20 lacks a legitimate mandate. First, the G20 represent the troubling trend towards "plurilateralism-of-the-big" where the majority of nations are excluded in the decision-making process. Second, the G20 essentially undermines the existing system of multilateral coordination through institution such as the IMF, the World Bank and the United Nations. Third, it does not provide what is needed to tackle the problems of today, namely binding deliberations in a truly multilateral framework.

Hence, the G20 should be replaced by a revamped 2.0 version of the Bretton Woods architecture. The proposed reforms include the creation of a heads of state forum (Global Economic Council), a further reform of voting power systems equal to the share of world GDP and a reconfiguration of country constituencies achieving reasonable regional representation.

These changes, the author claims, would lead to more effective and inclusive global governance in tackling the crucial economic issues of the 21st century.

## The G20 Indicative Guidelines

by Peterson Institute for International Economics (PIIE)  
April 2011

Link: <http://www.piie.com/realtime/?p=2129>

The search for consensus on how to tackle global economic imbalances did expose the existing rift between G20 members at the Summit in Seoul. The prospects of reaching a deal on these "indicative guidelines" was analyzed by the Peterson Institute for International Economics just before the April 2011 G20 finance ministers meeting in Washington.

In essence, the author argues that the jury is still out whether this new framework will be regarded as a "game changer" in international economic policy coordination. The G20 intends to use two types of indicators: internal (public debt, fiscal deficits, private saving rates, private debt) and external (external balance composed of the trade balance and net investment income flows), which will then be passed through four filters (indicative guidelines). However, the author criticizes the lack of any type of sanctioning mechanisms and proposes three suggestions:

- ▶ Specify commitments with figures and dates to promote compliance
- ▶ Make the process more transparent by publishing the results of these "imbalance tests"
- ▶ Organize a follow-up after the Cannes summit in order to reapply the guidelines in 2012

Interestingly, the G20 has since decided to pursue a two-pronged approach. First, the indicators will be tested to determine whether a given G20 country is out of line with historical trends. Secondly, those countries that emerge to have "persistently large imbalances" will be assessed in-depth by the IMF to identify challenges to adjustment.

## How the G20 can prevent a Food Crisis

by Bruno Le Maire (French Minister for Agriculture)  
March 2011

Link: <http://www.foreignpolicy.com>

This opinion piece reflects the urgency and priority with which the French G20 presidency has approached food security and especially the volatility of commodity markets. Minister Le Maire makes this call for action given the risk of global food shortages and the rise in food prices "across the board," arguing that increased volatility of commodity prices is intolerable for producers as well as consumers. By comparing the food crisis with the global financial crisis, he underscores the intent of the French government to take significant action on this issue in the near future.

Le Maire points to two causes of volatility. On the one hand, the physical reality of a gap between supply and demand worldwide, and on the other hand, the increasing financial speculation in agricultural commodity markets. Hence he calls for work in the following two areas:

- ▶ Improve market transparency
- ▶ Regulate commodity derivatives market using the model of the Dodd-Frank Act.

He closes by saying that although the G-20 will provide political momentum at the highest level, it cannot take the place of the work and expertise of other existing international organizations when it comes to food issues. It remains to be seen whether the French presidency is willing and able to not only include these multilateral agencies in a meaningful way but also to reach out to civil society and the low income countries in order to broaden the G20's perspective on the possible problems and solutions when it comes to global food insecurity.

# G20 and the Business Community

By [Stefan Mair](#) (BDI, Federation of German Industries)

In the past two and a half years, the G20 has transformed itself into the most important forum for global economic governance. Originally only a meeting of finance ministers and central bank governors, the G20 met for the first time in Washington in November 2008 at the level of "heads of state and government." The objective of this meeting was to coordinate international and national efforts in order to solve the financial and economic crisis. Since then, the club of major economies has not only convened twice a year, but has also broadened its agenda – covering almost every aspect of international economic policy.

**If the G20 wants to enjoy output legitimacy it has to change its mode of consultation with non-governmental actors.**

Hence, the consultations and decisions of the G20 directly affect the fate of private business. The question of how and in what way businesses should be represented at G20 summits has become an essential one for the business community. At the Toronto and Seoul Summits in 2010, the organisers invited up to hundred Chief Executive Officers (CEOs) from the G20 countries to meet for a few hours among themselves and later with some G20 officials. The consultations concluded with a "chairman's summary." An alternative model was developed by the Federation of German Industry BDI (Bundesverband der Deutschen Industrie e.V.) in preparation for the 2007 G8 Summit in Heiligendamm. Here, the business associations of the G8 countries met, passed a joint declaration and submitted it to heads

of state and government.

Which of the two models best serves the interest of private business by helping to ensure that the economic decisions of the G20 are not only sound, but also greeted with broad acceptance? Two criteria can help to answer this question: legitimacy and effectiveness.

## Legitimacy

Any official body which claims to make decisions which bind not only itself, but also others, needs legitimacy. There are many ways to acquire legitimacy, the most widely accepted are certainly democratic procedures and representativeness. Those who speak for private business at the margins of G20 summits should enjoy one or both of these attributes. Business associations in democratic countries usually have both. They represent a broad membership of either individual companies or branch associations and they have representative structures and democratic procedures which ensure that their leadership is duly elected and can be held accountable for their operations. A further factor gives

them additional legitimacy, which is essential for any civil society organisation: independence from the state. Though business associations aim at influencing the decisions of state organs they are not governmental decision-makers themselves or even state-run.

Only representative and independent business associations which adhere to democratic principles can really claim to speak for private business; individuals handpicked either by governments or by consultancies cannot. This, in turn, has an important implication for all those who try to organise private business associations for transnational purposes: they have to assess whether members of their club are meeting minimum criteria relating to democratic legitimacy and independence from the state. The eight business associations from the G8 countries, now forming the so-called "B8," certainly do. Many other associations from countries such as Brazil, Mexico, India, Turkey, South Africa, Australia and South Korea certainly meet these criteria as well.



### Effectiveness

Political scientists draw a distinction between input- and output-legitimacy. Representativeness and democracy are mechanisms or forms to help achieve "input legitimacy"; effectiveness is the most important quality for ensuring "output legitimacy." The G20, as a body, is not only broadly accepted because it represents 85 % of the global GNP, 80 % of world trade and two thirds of the global population; it is also the case that the measures taken by the G20 in 2009 and 2010 are widely regarded as effective.

The stimulus that G20 countries delivered to the global economy made an important contribution to the containment of the global financial crisis and to the re-stabilisation of the world economy. The emergency situation of 2009 and 2010 constrained the G20's capacity to conduct broad consultations before making key decisions. However, if the G20 wants to enjoy "output legitimacy" in more normal times as well, it has to change its mode of consultation with non-governmental actors. The goal of achieving effectiveness then requires that the G20 make well-informed and broadly-based decisions and that the implementation of decisions does not only rely on state directives, but also on the informed and voluntary participation of, and compliance by, the private sector.

In the field of economic policy, the involvement and participation of

private business associations are indispensable. It is only business associations that can aggregate and represent the interests of the private sector towards the G20 member countries and which are competent to advise the government on key issues, such as on the effects of financial market reforms on companies' access to finance. In contrast to individual CEOs and economic think tanks or consultancies, the positions taken by

### Only representative and independent business associations of the G20 countries can be in charge of organising a G20 business summit

these associations are usually the result of intensive consultation processes among their members. Thus, they provide G20 governments with not only reliable information on the perspectives of the business community, but also a degree of certainty that, if decisions are taken in accordance with these perspectives, businesses are likely to comply voluntarily. In addition, representatives of business associations are essential transmitters and multipliers of G20 deliberations and decisions.

### Conclusions

If the G20 has a real interest in consulting with private business and in making its economic policies more effective, there is hardly any

alternative to the direct involvement of business associations. This consultation process must, however, not be a government-steered or controlled exercise. The process must be owned and driven by the business associations themselves. The model developed by BDI for the G8 business summits meets these conditions. It can and should be applied to G20 business summits as well: Only representative and independent business associations of the G20 countries can be in charge of organising a G20 business summit. These associations should define who speaks for private business at the summit, who formulates a joint declaration and who decides on modes of interaction with the G20 governments.

Stefan Mair is a member of the [BDI](#) Executive Board since 2010. He has previously held several positions at the German Institute for International and Security Affairs (SWP) in Berlin, including Director of Research from 2007 until 2009. He has studied political sciences, economics and sociology at Ludwig Maximilian University (LMU) in Munich and in addition holds a PhD from the same university.

The BDI is the umbrella organisation of German industry and industry-related service providers. It represents 38 industrial sector federations and speaks for more than 100,000 private enterprises employing around 8 million people. The BDI relays the interests of German industry to political representatives in Germany, Europe and worldwide.

## Seoul G20 Business Summit

The Korean government as host of the G20 had organised a G20 Business Summit which they described as "an unprecedented cooperative effort between the public and private sectors, where approximately 120 top CEOs will share their concerns with G20 leaders on recent economic development."

More information about the Business Summit which took place in Seoul can be found on the following pages:

- ▶ [Press Release](#) with Statistics about the Seoul G20 Business Summit
- ▶ [Joint Statement](#) by participating companies at the end of the Summit
- ▶ [Map](#) with an overview of the participating companies



# The G20: What Role in the World Economy?

By [Nancy Alexander](#), Heinrich Boell Foundation North America

## Future of the World Economy

The Chief Economist for Citigroup [predicts](#) that by 2020, China will overtake the U.S. as the largest economy and that, by 2050, the three biggest economies – China, India, and the U.S. (in that order) – will account for half of global output. (While these calculations differ from those of the IMF and other sources, there is no doubt that China is overtaking the US.)

Crystal ball gazers will appreciate a new World Bank publication, [Global Development Horizons 2011](#), which anticipates that by 2025, six emerging economies—Brazil, China, India, Indonesia, the Republic of Korea, and Russia—will account for more than half of all global growth. It predicts the most probable global currency scenario in 2025 — a multi-currency arrangement centered on the U.S. dollar, the euro, and Chinese renminbi.

As signs of their rapid ascension in power and influence, developing and emerging countries already held two-thirds of the world's \$9 trillion of official foreign exchange reserves (as of late 2010) compared to only 37 percent of reserves held at the end of 2000.

According to economist [Kemal Dervis](#), "In per capita terms, emerging market economies are growing more than twice as fast as the advanced countries. However, he emphasized that, in Asia, emerging market economies are growing 3 to 3-1/2 times faster than the advanced economies;" with an average savings rates of 38% versus 20% in the latter group.

Dervis emphasizes that there is now wide agreement about a structural transformation in the world and that, in coming decades, Western Europe, the U.S. and Japan will no longer be dominant. But, he stated, "we face a major problem...It's climate, but it's also natural resources: food, water, etc."

In these areas, the G20 is failing in its efforts to define, much less to eliminate fossil fuel subsidies, so the body has a long way to go in terms of putting a price on carbon.

During the past 10 years, while global oil consumption increased by 13.5 percent, oil consumption in emerging markets increased by 39 percent — and their share of global consumption grew from one-third to one-half.

If current trends continue, a [senior IMF official predicts](#) that in two decades annual global output will more than double, from \$78 trillion to \$176 trillion (in today's money). Additional output will primarily come from growing and populous developing countries. Three billion people live in Brazil, Russia, India, and China (BRICs) compared with 1 billion in advanced economies.

Today, the G20 is deeply divided on issues pertaining to climate. The advanced countries have blazed a high-carbon growth path and if the BRICs and other emerging markets follow suit, the results will be catastrophic.

## The G20 Role in Economic Transformation: A Joke? A Source of Promise?

### A Disaster?

[Speaking in Washington](#) on June 14, 2011, Ernesto Zedillo - former Mexican President and current Director of Yale University's Center for the Study of Globalization - declared that, so far, the G20 is a "disaster"...a "joke," saying that the results delivered by the body to date are "very bad." From his perspective, the G20 is the culmination of "discouraging and frightening" failures by international institutions in areas ranging from the MDGs, to UN reform, climate change, and the Doha trade round.

### Lacking a Legitimate Mandate?

In this issue, a "Must Read" feature "From G20 to Global Economic Council" by the Danish Institute for



CC-License by [www.istockphoto.com](http://www.istockphoto.com)

International Studies (DIIS) states that the G20 lacks a legitimate mandate. First, the G20 represent the troubling trend towards "plurilateralism-of-the-big" where the majority of nations are excluded in the decision-making process. Second, the G20 essentially undermines the existing system of multilateral coordination through institution such as the IMF, the World Bank and the United Nations.

### Today, the G20 is deeply divided on issue pertaining to climate

Third, it does not provide what is needed to tackle the problems of today, namely binding deliberations in a truly multilateral framework.

#### A Source of Great Promise

From a different perspective, Brookings Institution and the Korea Development Institute have produced a volume, [Global Leadership in Transition: Making the G20 More Effective and Responsive](#), in which expert contributors call for innovations that can help the G20 realize its potential as the world's premier forum for international economic cooperation.

#### G20 vs BRICS

In parallel with G20 institutional formation, we see the creation of new forms of cooperation among the BRICS (Brazil, Russia, India, China, and South Africa). The April 14, 2011 [Sanya Declaration](#) of these countries envisions a sweeping array of collaboration in numerous areas.

#### The G20 Finance Ministers: Areas of (In)Action

##### Global Imbalances

The G20 pledged to address as a priority significant global imbalances which threaten certain countries or the entire global financial system. These imbalances exist between the emerging market countries, especially in Asia, with patterns of excessive saving, on the one hand, and countries, such as the U.S., with patterns of excessive spending, on the other. At their [April meeting](#), the

main achievement of the G20 Finance Ministers was their agreement to take timid steps toward addressing large imbalances.

#### The G20 Finance Ministers on Risks to the Global Economy

The UN has spotted trouble on the economic horizon before the G20 Finance Ministers and Central Bankers. In January 2011, the [United Nations noticed](#) that "global economic growth started to decelerate on a broad front in mid-2010" and stated that "slower growth is expected to continue into 2011 and 2012." When the G20 Finance Ministers and Central Bank Governors met on April 14-15 in Washington, D.C., they announced that although "downside risks still remain," "the global recovery is broadening and becoming more self-sustained, with increasingly robust private demand growth."

Two months later, on June 17, 2011, when the IMF updated its [global forecasts](#), a senior official [Jose Vinals](#) stated "Policymakers continue to face the possibility of potentially large future shocks to the financial system, with the recent increase in financial risks adding to existing concerns." Recent risks include weakening in the economies of the U.S. and Japan; uncertain political support for dealing with debt problems, including in Europe's periphery; and a sustained period of low interest rates in advanced economies, which fuels massive capital inflows, especially in emerging market countries, in the search for high yields.

Where the [UN identified](#) unemployment as the "Achilles heel" of the recovery, the G20 Finance Ministers gave only "lip service" to the problems of jobless growth and the lack of decent jobs. On June 1, Juan Somavia, in opening the 100th ILO congress, the institution's director-general said: "we have in front of us the bigger danger of further consolidating inefficient growth patterns and unfair globalization rules at the root of the crisis, that have systematically increased inequality almost everywhere in the last 30 years.

Slipping back into business as usual will lead us all, sooner rather than later, into another crisis."

#### Pending Decisions by the Ministers

At their April meeting, G20 Finance Ministers tasked the World Bank (with other relevant organizations) with preparing a report on the sources of climate change financing. This raises the question of how the Finance Ministers will respond to this report. The Ministers set the stage for additional major decisions at their upcoming meetings, such as: whether to take action to curb excessive speculation in commodity markets that is contributing to volatility in food and fuel prices; how to deal with risks to global financial stability posed by Systemically Important Financial Institutions (SIFIs); whether or how to regulate the shadow banking system, including over-the-counter (OTC) derivatives; how to develop principles on consumer protection in financial services; how vigorously to implement the G20 anti-corruption action plan.

**Nancy Alexander** is Program Director Economic Governance at the Heinrich Boell Foundation of North America. Since the mid-1980s, she has been engaged in research, education and advocacy relating the global institutions, especially the IMF and World Bank.

Her work highlights the ways in which the institutions have affected social justice, environmental protection, economic performance, and democratic practices in borrowing countries.

# WWF Analysis of the G8 Policy Outcomes

## The Way Forward to the G20

By Elise Buckle (WWF)

### G8 Declaration

The G8 declaration of the Deauville Summit in May 2011 is available online [here](#). Overall, compared to WWF's "asks," the outcome of the G8 summit was positive for the climate change and biodiversity dossiers, lacking in detail on green growth and disappointing on nuclear and energy.

**Green growth:** The paragraph on green growth is quite progressive; it mentions energy efficiency and green jobs. But the language is still too vague and does not reflect the required sense of urgency. It reflects a mostly "business as usual" mood at a time when the G8 could have advanced the dossiers of new indicators of growth or a system of accounting that realigns economic incentives. Particularly disappointing was the fact there was no mention of the promised reports on the reform of fossil fuel subsidies.

**Nuclear:** The paragraph on nuclear energy only mentions the "option to stay in or out" and perhaps reflects the outcome of compromise between

Germany and France, with Germany deciding to phase out nuclear power and France defending its nuclear power industry. During his press conference in Deauville, President Sarkozy insisted that for many G8 countries there was still no alternative to nuclear power. The G8 could have adopted some much stronger messages on investments in energy efficiency, renewable energy and energy savings.

**Climate:** The declaration includes the target of staying "below 2°C" temperature increase and the emission reduction target of 50% for global emissions by 2050 and 80% for developed countries, but for WWF, this target is below the fair share of efforts to be made by industrialized countries. The positive element is the effort towards a new binding agreement and the recognition of the Cancun elements (creation of Green Fund and other aspects of finance, mitigation, adaptation and REDD+ (Reducing Emissions from Deforestation and Forest Degradation, plus conservation approaches). The review clause

relating to mitigation targets is also a positive element. However there was no mention of innovative sources of finance as the debate, we are told, is being kept for G20. In his closing press conference, Sarkozy reaffirmed that the issue of innovative sources of finance for climate and development was still very important, so we will need to press him on this ahead of the G20.

**Biodiversity:** The paragraph on biodiversity builds upon the achievements from the Council of Parties (COP) of the Convention on Biodiversity (CBD) COP in Nagoya, Japan, including in the areas of Access and Benefit Sharing (ABS) for genetic resources and "The Economics of Ecosystems and Biodiversity" (TEEB). However, here again, there is no mention of innovative sources of finance. The text mentions the Nagoya plan of action but not the financing sources.

### G8 Africa partnership

The G8 – Africa partnership Declaration is available [here](#). The final G8-Africa Partnership





Declaration is generally on the right track and can be considered as positive and progressive. As such, WWF welcomes the Declaration. Although the Declaration mainly reaffirms previous agreements and comments and talks mainly of peace and security, which is fundamental for any state, it also clearly supports sustainable development for Africa and in particular Least Developed Countries. Beside peace and security, the Declaration's main points are:

► **Funding and political will:** The G8 and other developed countries need to accompany this and other declarations with political will as well as funding additional to ODA (article 28 is positive) though it must be ensured that funding is not merely "recycled" (using existing development funding and adding the label "climate funding" to it). Indeed ambitious strategies have been adopted. The reasons why progress in implementing those remains slow and uneven relate to the lack of sustainable technology transfer and funding.

► **Access to energy:** Article 21, which talks of electrification, cooking fuels and renewable energy ("G8 will continue to support projects for access to energy, both decentralized and centralized"), is particularly welcome, though it still lacks concrete actions. The current support, which apparently will continue, is not progressive and does not benefit the millions of African who lack basic energy supply.

### The G20 should make additional concerted efforts to reach an agreement on innovative sources of finance for sustainable development, climate change and biodiversity

► **Africa and China:** Articles 18 and 19 are positive insofar as they call for transparency in payments and revenue collection linked to extractive resources and sound financial governance on the management of these revenues. This call is in line with WWF's "China for a Shift" Initiative, which works to engage

leading Chinese actors in sustainable approaches to key sectors -- such as energy production, trade and finance - in China's domestic and international investments.

#### On civil society access

Sarkozy had pledged to open the G8 summit to civil society but in reality very few badges were given to NGOs and the summit was set up in a way that constrained the capacities of NGOs and diminished their voices.

### WWF "asks" for the G20

#### 1) Supporting new indicators of green growth and economic incentives for sustainable development

The 2008 financial crisis demonstrated that inadequate regulation and the misallocation of capital can have devastating impacts on human enterprise and well-being. Yet today, we are treating the world's finite natural capital in a similarly perilous way, threatening to foster a global environmental crisis, all the while turning our backs to the immense potential of green, sustainable growth.

There are significant benefits to be gained from effective management of natural capital to achieve genuine prosperity and stability for all human beings. To help achieve this, the tools at government's disposal are numerous.

► WWF supports new indicators for growth, as well as fiscal incentives, reforms of perverse subsidies and investments in sustainable development.

#### 2) Promoting investments in renewable energy, energy saving, and energy efficiency

The issue of nuclear safety cannot be addressed separately from the broader debate on energy policy options. The disasters in the Gulf of Mexico and more recently in Japan clearly demonstrate that we need to find alternatives to both fossil fuel and nuclear sources of energy.

In 2009, according to the International Energy Agency (IEA), US\$ 312 billion was spent on fossil fuel consumption subsidies. In comparison, support for renewable

energy amounted to US\$ 57 billion in the same year. However, the IEA numbers are misleading because they do not include subsidies for fossil fuel infrastructure and production/mining. Nor do they take into account the relatively low fossil fuel market prices in 2009. Today, with oil prices exceeding \$US 100 per barrel, consumption subsidies alone may significantly exceed \$US 500 billion or about 1% of global GDP.

### It is necessary to reaffirm the commitment of the G20 to primarily invest in the development and use of renewable energy sources

Globally, nuclear power has been in decline since 2005 and, in the meantime, economic costs of nuclear energy are escalating. About 10 years ago, the nuclear industry promised that the new 'GEN III+' reactor design would cost about \$US 1000/kW. Present estimates are about six times higher. The two European 'showcase' reactors in Flamanville (France) and Olkiluoto (Finland) are considerably over schedule and over budget, even before producing any electricity. Also, there are six OECD countries that manage about ¾ of all nuclear power capacity globally. This is by no means an option for safe or clean energy for all nations. To illustrate the lack of planning for external costs, the new "sarcophagus" that needs to cover the Chernobyl ruins will cost more than US\$ 1 billion (or €740 million). Too often, such costs are not accounted for in the price of nuclear energy.

In its recent "Energy Report," WWF underlines that a fully renewable energy policy supply in harmony with nature is possible by 2050. The report also shows that we can greatly reduce our dependency on fossil fuels and nuclear energy by taking strong policy measures for energy saving and energy efficiency especially in transportation, buildings and industrial manufacturing. The recent [McKinsey Cost Curve 2.1 assessment](#) shows that energy conservation represents the most effective way to reduce carbon emissions and save

money for companies and consumers. The cheapest energy is the energy we do not consume.

Moreover, the International Panel on Climate Change (IPCC) just agreed - in consensus with all governments - that the world can meet up to 80% of its energy supply by 2050 from renewable energy. Clean energy investments are growing by 30% and have reached US\$ 240 billion last year. These are very good signs but this trend needs to be expedited by appropriate legislation and financial initiatives in order to reach the overwhelming majority of countries which presently are not benefitting from clean energy growth.

► Therefore, it is necessary to reaffirm the commitment of the G20 to primarily invest in the development and use of renewable energy sources, energy savings and energy efficiency.

**3) Strengthening commitments to combat climate change**

The United Nations Framework Convention on Climate Change (UNFCCC) remains the most legitimate, democratic space for addressing the issue of climate change including with the Least Developed Countries (LDCs) that are facing the impacts of climate change. This was reaffirmed in the Fourth UN Conference on the LDCs, which took place in May 2011 in Istanbul. But, in line with the principle of "common but differentiated responsibilities," the G20 countries must take a leadership role and further strengthen their commitments to reduce greenhouse gas emissions for the implementation of the UNFCCC and its Kyoto Protocol which is currently the only legally binding instrument to enforce emissions reductions. Moreover, they need to send some positive signals to the international community that will contribute to political momentum for a successful conclusion to the negotiations at the 17th Conference of Parties of the UNFCCC in Durban, South Africa in December 2011. Based on the Cancun agreements, there is a "window of opportunity" to make significant progress on innovative sources of finance by raising US\$ 100 billion per year by 2020 in order to assist poor



countries facing climate change impacts.

► The G20 should support the UNFCCC Cancun agreements and express readiness to make concerted efforts to reach a successful outcome at the UNFCCC summit in Durban. It is now essential to review emission reduction targets to prevent global temperatures from exceeding 1.5°C compared to preindustrial levels and to strengthen the G20 commitments to further implement the UNFCCC and its Kyoto Protocol.

► The G20 should make additional concerted efforts to reach an agreement on innovative sources of finance for sustainable development, climate change and biodiversity no later than during the November 2011 G20 summit. These sources include a financial transaction tax, the reform of fossil fuel subsidies and the tax or auctioning of emissions in the maritime and aviation sectors. An action plan and calendar will be adopted as soon as possible to operationalize these new mechanisms.

President Sarkozy commissioned Bill Gates (as an individual, not as co-Chair of the Bill and Melinda Gates Foundation) to prepare a paper on sources of innovative finance and work with G20 officials in formulating and advancing their findings. Civil society has provided input to the paper through a number of consultations.

**4) Prioritizing food, water and energy access for all**

According to the 2010 edition of the [World Energy Outlook \(WEO\)](#), there are 1.4 billion people around the world that lack access to electricity, some 85% of them in rural areas. Some 15% of the world's population still lack access, the majority of them living in Sub-Saharan Africa, where the electrification rate is only 31% and the number of people relying on traditional biomass is 80%: this is where the greatest challenge lies.

To meet the Millennium Development Goals by 2015, 395 million people need to be provided with electricity and 1 billion with clean cooking facilities. As shown by the UN Environment Program (UNEP) and IEA, completely ending global energy poverty, which affects almost 3 billion people mostly in South Asia and Sub-Saharan Africa, will require less than \$US 40 billion per year between now and 2030 or only 0.06% of global GDP. Furthermore, investing in expanding access to safe water (another Millennium Development Goal) would cost US\$ 15 billion per year but provide benefits of US\$ 38 billion per year, significantly to sub-Saharan Africa. Such investments would also trigger many development, health and poverty alleviation benefits.

► The G20 should support a strong political move towards ending energy poverty by 2030 by setting up a new partnership with Africa which seeks to facilitate investments in access to clean, affordable and reliable electricity and cooking energy and support an adequate financial framework to do so. This could be a significant G20 contribution to the upcoming Rio+20 Summit in Brazil.

Elise Buckle is Climate Manager & Finance co-lead at WWF France.

# 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

#### G20 Database Structure

- 1 - Background
  - 1.1 - G20 Info & History
  - 1.2 - Global Governance
  - 1.3 - G7 & G8
- 2 - Summits
  - 2.1 - G20
  - 2.2 - Finance Ministers
- 3 - Issues
  - 3.1 - Finance
  - 3.2 - Climate Change
  - 3.3 - Development
  - 3.4 - Energy
  - 3.5 - Trade
  - 3.6 - Food Security
- 4 - Country Specific
  - 4.1 - Africa
  - 4.2 - Canada & US
  - 4.3 - South America
  - 4.4 - Asia
  - 4.5 - Middle East
  - 4.6 - Europe
- 5 - Power Dynamics
  - 5.1 - Within the G20
  - 5.2 - G20 to non-members
- 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 [g20-newsletter@boell.de](mailto:g20-newsletter@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 [g20-newsletter@boell.de](mailto:g20-newsletter@boell.de), you will then receive 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](mailto:alternative-g20+subscribe@googlegroups.com)

To unsubscribe, send email to: [alternative-g20+unsubscribe@googlegroups.com](mailto: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.

### Impressum

#### Publisher

Heinrich Böll  
Foundation  
Schumannstrasse 8,  
10117 Berlin  
T 0049 30 285 34 - 0  
E [info@boell.de](mailto:info@boell.de)

#### Editorial Team

Nancy Alexander,  
Heinrich Böll  
Foundation  
Washington

Heike Löschmann,  
Heinrich Böll  
Foundation Berlin

Sandro Gianella,  
Hertie School of  
Governance

#### Disclaimer

The opinions expressed in this newsletter are those of the authors and not necessarily those of the Heinrich Böll Foundation

#### Image Sources

licenses received from [www.istockphoto.com](http://www.istockphoto.com) or CC-Licenses on [www.flickr.com](http://www.flickr.com)