



## 2012 PROGRESS REPORT OF THE DEVELOPMENT WORKING GROUP

### Introduction

1. We recognize the impact that the modest global recovery might have on developing countries, particularly Low Income Countries (LICs), in addressing the most pressing challenges of development and poverty reduction, including the fulfillment of the UN Millennium Development Goals. Promoting sustainable development and eradicating poverty by ensuring sustainable economic growth and decent job creation, therefore, remain key challenges for the G20. In order to meet these challenges, we need to adopt the right economic policies and appropriate coherent and large-scale actions that boost growth in a manner that is inclusive, sustained and environmentally sustainable, in order to benefit present and future generations.
2. The G20 must continue to serve as a relevant coordination forum for international economic cooperation. Effective contributions by International Organizations (IOs) and non-G20 countries, supported by concerted actions of G20 members, are fundamental to support national efforts of developing countries, particularly LICs, in overcoming hunger and poverty and promoting sustainable development. In this regard, we welcome the Busan Statement for Effective Development Cooperation. We reaffirm our commitment to the global partnership for development, as set out in the Millennium Development Goals, and welcome efforts to contribute to this end, including the Global Partnership for Effective Development Cooperation launched with voluntary participation under the auspices of the broad consensus achieved at the 4<sup>th</sup> High Level Forum on Aid Effectiveness held in Busan, Korea. We look forward to successful replenishments of Multilateral Development Banks (MDBs) concessional resources and encourage their efforts to scale-up investments in the developing countries, particularly LICs.
3. We have advanced significantly in the implementation of previous agreements under the Seoul Multi-Year Action Plan (MYAP), and identified new actions to enhance concerted efforts in support of developing countries, particularly LICs. We will continue to flesh out the linkages between the different streams of our work, in order to make the most of the synergies between them, and aim towards a more holistic approach to development cooperation. This is particularly important in terms of the agreed priorities of infrastructure, food security and inclusive green growth (IGG).
4. The active and open outreach policy promoted by the Mexican presidency with relevant governmental and non-governmental organizations, as well as with the private sector, contributed to the enrichment of the Group's aims and deliberations. We welcome Mexico's initiative in hosting an international seminar with civil society on the G20 development agenda this year, as well as initiatives to engage with the private sector. We further welcome the meeting with members of the Commonwealth and the

Organisation Internationale de la Francophonie, as well as with Latin American and Caribbean countries, on the G20 development agenda.

**Key challenges to development: inclusive green growth, infrastructure and food security.**

***Inclusive Green Growth***

5. Eradicating poverty and achieving sustainable development through more inclusive, resilient and greener growth are among the greatest challenges confronting humankind. Recognizing that environmental constraints and social exclusion are among some of the most serious threats to hard-won development gains, this year the DWG strengthened its commitment to help developing countries, in particular LICs, sustain and strengthen their growth by adopting a focus on inclusive green growth (IGG). This focus acknowledges that IGG in developed and developing countries alike will be critical to achieving sustainable development, but that such growth must also be inclusive if it is to support decent job creation and poverty alleviation.
6. While pursuing IGG poses challenges for all countries, it also offers opportunities such as those achieved through gains in efficiencies, innovation, inclusion and resilience to environmental shocks. In the DWG, our focus is on improving international cooperation to assist those countries that choose to pursue these opportunities and gains in a non-prescriptive, non-conditional way, in terms of access to funding on a voluntary manner. We recognize that IGG strategies will vary by country according to their own national priorities and circumstances. We also recognize the particular need to support developing countries, in particular LICs, in addressing the specific challenges they confront in the context of IGG, including the issue of higher upfront costs in some sectors.
7. G20 members should strive, based on their development imperatives, to lead by example in promoting inclusive and green growth, while avoiding unintended impacts on their own economies and on other countries.
8. Factors central to successfully making the transition to IGG include the following: ensuring resource efficiency; promoting sustainable innovation; adopting sustainable consumption and production patterns; enhancing knowledge and technology diffusion; developing sustainable infrastructure, including urban mass transport; and addressing the linkages between areas such as energy, food security and water, and fully incorporating social dimensions including health, education, human resources development, social protection floors and decent job creation, among others.
9. Consistent with the G20 Development Principles, our IGG work also aims to complement existing development efforts. In this regard, we support efforts to renew our collective commitment to sustainable development at the 2012 United Nations Conference on Sustainable Development (Rio+20). We also welcome the contribution of the United Nations Secretary General High-Level Panel on Global Sustainability.
10. We welcome the work done on the non-prescriptive policy toolkit on IGG developed by the African Development Bank (AfDB), the Organization for Economic Cooperation and Development (OECD), the World Bank (WB) and the United Nations (UN). We look forward to develop further this work in consultation with developing countries and to

support the implementation of policies and actions derived from it in countries that wish to move along this path, particularly developing countries and LICs.

11. As part of our future work, it will be crucial to elaborate on enabling elements to achieve the objectives of the non-prescriptive toolkit, including the considerations of support networks, capacity building and knowledge sharing. We welcome the initiative of the Global Green Growth Institute (GGGI), OECD, United Nations Environment Programme (UNEP) and the WB to promote knowledge sharing via the Green Growth Knowledge Platform. We also welcome the various regional initiatives to promote knowledge and best practice sharing. In this context, we call upon the IOs to continue working on shared approaches and coordinate practices on IGG.
12. While we recognize that public funds will remain key, they need to be complemented by private funds in order to advance IGG. We therefore reiterate broader calls to mobilize private funds, and investments for IGG in developing countries. To this end, sharing of knowledge and best practices on existing innovative mechanisms to mobilize private funds for inclusive green investments, create enabling environments that catalyze and support the design and implementation of IGG initiatives in the context of poverty alleviation and sustainable development, is essential and welcomed.
13. We take note of the findings of the stocktaking review conducted by International Finance Corporation (IFC) on existing mechanisms to mobilize private capital for inclusive green investments in developing countries. Recognizing the challenges highlighted by this review, we recommend expanding the stocktaking exercise through a multi-stakeholder dialogue. This could form the initial step to establishing a public-private Dialogue Platform on Inclusive Green Investments to scale up commercially viable financial investments, involving in particular the IOs, interested development financial institutions (DFIs), countries, private sector, and relevant initiatives. Recognizing the role of the private sector and the importance of integrating a sustainability perspective in business decisions for achieving IGG, this Platform could be used to address barriers and identify opportunities to foster private investments to support the voluntary implementation of IGG on a demand-driven basis. The DWG should report back on progress by the end of 2012.
14. We emphasize that incorporating social and environmental costs and benefits into economic decision-making is critical to IGG. We acknowledge the efforts of the UN Statistical Commission, UN-led work to update the System of Integrated Environmental and Economic Accounts, and other efforts undertaken at the international level. We encourage efforts to support developing countries, particularly LICs, where one-third of their wealth comes from their natural capital, to explore ways to account for their natural capital, including through initiatives such as the global partnership on Wealth Accounting and the Valuation of Ecosystem Services (WAVES), while fully respecting national priorities and circumstances.
15. We recognize the need for a longer term view for the work on IGG within the DWG, taking into account the results of Rio+20 and other relevant forums. We will build on the toolkit to further improve international development cooperation on IGG and we will continue to explore ways of mobilizing more private funds for inclusive green investments in developing countries. We look forward to further discussions on these initiatives and to developing the potential linkages of IGG with the MYAP pillars at our meeting later this year.

## ***Infrastructure***

16. Investment in infrastructure is critical for sustainable economic growth, poverty reduction, job creation and social development. The lack of efficient infrastructure can reduce a country's competitiveness and productivity and the delivery of key social services, impeding participation in the global economy. Investment in infrastructure requires financial commitments that affect resource use and development over a significant period of time. This represents an important challenge for developing countries facing a significant infrastructure gap with limited access to investment finance. The situation is accentuated for LICs, and particularly, whilst not exclusively, those in Sub-Saharan Africa. Identifying renewed forms of multilateral action and cooperation to address this issue has been a key priority of the G20 since the MYAP endorsed by Leaders at Seoul, and this effort must be sustained. Our approach stresses synergies between infrastructure and other pillars, as well as with IGG as adequately designed infrastructure investments offer opportunities for triple wins: economic growth, social inclusion and greater environmental sustainability.
17. We welcome the significant progress made by the Multilateral Development Banks (MDBs) in implementing the recommendations supported by the leaders in the Cannes Summit based on the MDBs Action Plan and the High Level Panel on Infrastructure (HLP), including:
- a. The strengthening of public-private partnerships (PPP) practitioners networks in every region by channeling resources and knowledge towards the adoption of best practices by policymakers.
  - b. The successful conclusion of the efforts to harmonize procurement principles between MDBs to public sector recipients and ongoing work on private sector windows to be adopted by June 2012.
  - c. The changing of staff incentives at some MDBs to engage in PPP transactions and develop regional projects.
  - d. The review of the WB-IMF Debt Sustainability Framework which reaffirmed its critical role in improving debt management in LICs while striving to better capture the expected economic and social return from transformative investments.
  - e. The progress made on, and lessons learned from, most of the eleven exemplary investment projects highlighted in Cannes in accordance with regional priorities (in particular the Program for Infrastructure Development in Africa, endorsed by African Union (AU) leaders in January 2012).

18. We look forward to the implementation of the following recommendations supported in Cannes:

- a. The review of size and range of Project Preparation Facilities, taking into account the upcoming results of the assessment commissioned by the Infrastructure Consortium for Africa (ICA).
- b. The scaling up of the Construction Sector Transparency Initiative, the implementation of the “Sokoni Africa Infrastructure Marketplace” platform and the launch of a global infrastructure benchmarking initiative. A number of G20 Members, on a voluntary basis, will secure with MDBs the implementation of these three initiatives by the Los Cabos Summit.
- c. The modernization and development by the MDBs of their credit-enhancement tools and the strengthening of local financial intermediaries.
- d. Increased representation of countries in ICA.
- e. The increase of the number of MDBs that improve its staff incentives for PPP transactions and developing regional projects.

19. We also thank HLP members for their efforts to make the Fellowship Program a reality and their offer to continue to act as a sounding board in support of the G20 Agenda on Infrastructure.

20. Building on the HLP assessment that actual risk of infrastructure projects in LICs and Middle Income Countries (MICs) is frequently lower than the perception of risk amongst foreign providers of capital, Roland Berger Strategy Consultants prepared a report to G20 on “Misperception of Risk and Return in Low Income Countries”. We welcome this report which gives a diagnosis on risk in LICs, providing evidence that it is safer to invest in them than is commonly perceived, showcasing successful projects and identifying good practices. In that context the report makes three recommendations:

- a. Engage as soon as possible in direct exchanges with new investors, particularly through road shows;
- b. In addition to their traditional role as lenders, encourage MDBs to play an enabling role by supporting the private sector and assisting it with their accumulated expertise in the field; and,
- c. Use the ongoing change of risk perception to apply innovative financial instruments to investment in infrastructure in LICs.

21. This report, to be disseminated by the G20, demonstrates the value of the G20’s continued direct engagement with the private sector to better understand the constraints it faces in financing infrastructure. In this regard, we encourage the Business 20 (B20) to disseminate the report among its members and give due consideration to its findings.

22. The rapid expansion of urban population in developing countries poses important development and environmental challenges in cities around the globe and we recognize the critical role of project design that considers sustainability criteria for better infrastructure planning and execution. We have identified that efficient and sustainable mass urban transportation infrastructure projects are playing a significant role in achieving resilient and sustainable economic growth. A failure to develop integrated urban land and transport planning can lock cities into an unsustainable future as well as hamper their competitiveness.
23. We welcome the joint report from the WB and the Asian Development Bank (AsDB) on “Best Practices for Urban Mass Transport Infrastructure Projects in Medium and Large Cities in Developing Countries”. This report will help policy makers in developing countries to identify best practices and financing options for different types of Mass Transport Infrastructure Projects (MTIP) as part of an integrated sustainable planning process for urban areas. The report identified six critical aspects for long term success in urban transport systems:
- a. Visionary leadership and political will.
  - b. A combined, integrated strategy for land use, urban transport and air quality.
  - c. Local technical and administrative capacity to implement sustainable transport.
  - d. Regional transport coordination across government levels to give priority to investments in the metropolitan and modal integration.
  - e. Cost recovery to cover long-run variable costs.
  - f. Private participation in the operation and construction of urban transport systems.
24. We recommend the WB and the AsDB, with the support of other relevant regional development banks and IOs, to develop an umbrella toolkit, taking into account available toolkits, to be delivered at the end of 2012, which lays out options within an integrated package for policy makers in charge of urban planning in developing countries.

### ***Food Security***

25. In 2012, approximately 925 million people in the world remain undernourished. With world population estimated to grow to 9.3 billion by 2050, food production needs to grow by between 50-70%. Many challenges remain to be addressed. These include: increasing food demand; structural poverty; scarce resources; modest agricultural productivity; smallholder farmers needs; climate change; commodity price volatility; under- nutrition (including stunting), especially for mothers and children; gender inequality including women’s limited access to land and capital; losses across the value-chain; poor infrastructure; achieving PPP for low income countries; enhancing rural job creation; promoting social safety nets and income generation to guarantee access to food. These challenges continue to place food security at the top of the development agenda.

26. We reaffirm our determination to continue working on the implementation of all previous commitments and existing initiatives established in the MYAP and in the 2011 Report of the DWG.
27. We underline the importance of agricultural research for development and innovation to address major challenges to food security and promote technology transfers and knowledge sharing. We commend the Tropical Agriculture Platform as a major step towards coordinating knowledge-sharing and technical assistance of agricultural innovation systems in developing countries, and facilitate partnerships between existing initiatives on research, education and capacity building in tropical agriculture, focused on LICs, where food security challenges are most severe. Recognizing the need for continued international coordinated public investment in agricultural research, including high risk, long-term research into technologies with potentially high impact on sustainable agriculture and food security, we support the organization of a meeting of our Agricultural Chief Research Scientists, building upon the upcoming 2<sup>nd</sup> G20 Conference on Agricultural Research for Development.
28. We welcome strong progress on “AgResults”, aimed at improving food security for the poor and vulnerable by overcoming market failures in agriculture to encourage private sector innovation to develop new products and bring them into use. Initiated at the Toronto Summit in 2010, this initiative delivers on our commitments and will be launched at the Los Cabos Summit in June 2012. We welcome the innovative, results-based approach, and look forward to the implementation of the first generation of pilots focused on innovations in nutrient-fortified crops, post-harvest storage solutions and crop quality technologies in Sub-Saharan Africa. We commend those who have already committed or signaled their intention to commit funding to this initiative and encourage broader participation in the interests of overcoming key bottlenecks to agricultural development and food security in the poorest areas of the world.
29. Many of us are participating in the Movement to Scale-Up Nutrition targeting the 1000 days from the start of a woman's pregnancy until her child's 2nd birthday. We recognize nutritional status as a marker of development progress, acknowledge that the development of societies is hampered by poor nutrition, and stand ready to advocate for better nutrition as a key to sustainable development. Further involvement in the Movement is encouraged to express support at the highest political level. This would contribute to intensifying efforts to scale up nutrition and empower women.
30. In the context of the Sahel crisis, we welcome the commitments to establish a Pilot Project for Emergency Humanitarian Food Reserves under the strong political leadership of the Economic Community of West African States (ECOWAS) and its member countries and we encourage them to move forward on this important initiative. We also expect ASEAN+3 Emergency Rice Reserve (APTERR) will contribute to the mitigation of emergency humanitarian food needs.
31. Our Leaders agreed in the Cannes Summit to encourage all countries to support the Principles for Responsible Agricultural Investment (PRAI) and we welcome the progress of the Pilot Projects field-testing the PRAIs in some African and South-East Asian countries. We look forward to the synthesis report that will be produced in September 2012 by IOs. We support the country-level implementation of the recently approved “Voluntary Guidelines on the Governance of Tenure of Land, Fisheries and

Forests in the Context of National Food Security” as a means for strengthening land rights recognition and legal certainty.

32. There is a need to develop and coordinate tools, instruments and strategies to mitigate risks, prevent shocks and offer better protection to the most vulnerable populations. We support the implementation of the Platform on Agricultural Risk Management (PARM) involving the relevant IOs and the multilateral, regional and national development banks and agencies and we look forward to its early operation. We welcome PARM’s joint work with AU/NEPAD on the integration of risk management into Comprehensive Africa Agriculture Development Programme (CAADP) national and regional investment plans.
33. We welcome the progress made on the Action Plan on Food Price Volatility and Agriculture, and in particular the Agricultural Market Information System (AMIS) and the Rapid Response Forum (RRF). We also recognize progress made on the Wheat Initiative, and The Global Agriculture Geo-monitoring Initiative.
34. We remain committed to working with the IOs concerned on some key initiatives where further progress is still expected, such as the multilateral development banks joint action plan on water, food and agriculture, a comprehensive risk hedging strategy for international humanitarian agencies and the launch of an inclusive process to develop a voluntary code of conduct for responsible emergency humanitarian food reserves management, in the framework of the Committee on World Food Security.
35. Bearing in mind that the first responsibility of each country is to ensure food security for its own population, that food export barriers restricting humanitarian aid penalize the most needy and having implemented our commitments to remove food export restrictions for food purchased for non-commercial humanitarian purposes by WFP, which is of particular importance for the poorest countries, we will continue to seek the adoption of a declaration on this issue in the WTO.
36. We recognize the work of the IOs to produce a report on “Sustainable Agricultural Productivity and Bridging the Gap for Small Family Farms”. We recognize that the issues addressed in the report are relevant to developing countries. Working in close collaboration with the IOs, we agree to consider the recommendations contained in the report, as well as the fertilizer initiative presented by NEPAD in this context. We will revert to these issues at our next DWG meeting, recognizing the need to maximize the synergies with our other pillars of the MYAP and taking full account of the cross-cutting dimension of IGG.
37. We welcome the results of the 6th World Water Forum on “water and food security” particularly the need to have integrated policies and sound governance at the appropriate level on water and food security, ensuring at the same time an efficient use and protection of water resources.
38. We call for continued collaboration and support to relevant IOs and initiatives, including the Global Agriculture and Food Security Program, in order to develop sustainable solutions to the most pressing food security and nutrition challenges and to those whose nature require globally coordinated action. In this regard, we support the on-going work of the Committee on World Food Security as the foremost inclusive



international and intergovernmental platform for food security. We welcome all complementary work on food security and nutrition within various international *fora*.

## **Following on the commitments on the Multi-Year Action Plan on Development**

### ***Human Resource Development***

39. We welcome the progress report on the Human Resource Development pillar made by IOs. We value the results of the Turin Expert Workshop organized by OECD, the International Labour Organization (ILO), Germany and Korea on Skills Indicators and Policies in LICs and the recommendations drawn from the consultation process on the conceptual framework for skills for employment indicators. We support developments in the design of the action plans being elaborated for a group of self selected countries including the results of the stakeholders' workshop organized in Malawi, Bangladesh and Benin. We welcome the recent inclusion of Haiti in the group of pilot countries. We encourage the continuing joint support by the IOs and the MDBs in the implementation of the action plans on skills for employment. We also reaffirm our support and look forward to the creation by end 2014 of a comparable database across countries to serve as a monitoring tool for assessing employable skills development in LICs.
40. We acknowledge the efforts made by the IOs to seek synergies between the Human resources development and the Private Investment and Job Creation MYAP Pillars, notably on the testing of the indicators in Bangladesh. Going forward, we encourage continuing seeking synergies among the two pillars, in order to build on each other's work.
41. We acknowledge the interagency work on skills for decent jobs which will contribute to the G20 focus on IGG. We look forward to receiving by the end of 2012 a set of policy recommendations based on lessons learned from the IOs' analysis of countries' efforts to meet skills needs for green jobs.
42. The knowledge sharing platform (KSP) on skills for employment, a project led by the ILO in coordination with OECD, UNESCO and the WB, will collect relevant information from a variety of sources, from the private sector and academic institutions to bilateral agencies and IOs. It will share the answers that governments, employers, workers, and IOs are finding to the question of how we can bridge the world of education and training to decent and productive jobs. The prototype of the KSP is being improved on the basis of pilot testing focusing on the following key G20 issues: skills for youth employment, disability inclusion and employment in anticipation of IGG. We look forward to the launching of KSP on skills for employment in December 2012.

### ***Trade***

43. We recognize that the Duty-free and Quota-free (DFQF) access, along with simple and transparent rules of origin, can play a major role in increasing trade that supports growth and poverty reduction in Least Developed Countries (LDCs). To this end, the G20 countries remain committed to making progress on implementing their DFQF obligations consistent with the World Trade Organization (WTO) Hong Kong Declaration. Some G20 members have announced additional DFQF preferential market access for the LDCs since the Cannes Summit. We request the WTO to continue providing periodic updates on the extent of DFQF being provided by the G20

countries; the percentage of exports from LDCs entering the G20 markets free of duty; and the progress made on simplifying the rules of origin associated with these LDC preference schemes. We also request the WB to continue to update and refine its analysis of the costs and benefits of DFQF for individual LDCs.

44. We should remain vigilant with regards to the outlook on trade finance for developing countries, and LICs in particular. We ask the WTO, WB and OECD to keep us updated on the availability and trends with respect to trade finance. We will continue to support AfDB efforts to enhance the availability of trade finance in Africa, in particular the on-going work to establish a trade finance facility.
45. We recognize the relevance of trade integration as a means of promoting growth, job creation, investment and integration into regional and global value chains. We welcome the reinforced commitment by the AU Leaders at their Summit in January 2012 towards regional integration.
46. We recognize the importance of trade facilitation in reducing the costs of doing business and encourage further work in this area. We also consider that formulation and implementation of market-oriented trade policies requires ready access to trade data. In this regard, we take note with great interest of ongoing new work undertaken by the WB, the International Trade Centre, the AfDB and UNCTAD on Transparency in Trade as well as the WTO Integrated Trade Intelligence Portal (I-TIP) database, both of which seek to create a comprehensive and up-to-date trade policy data and analysis system. We also note the on-going work by the OECD and WTO on the implications of global value chains in world trade and measuring the actual value-added of trade.
47. We will continue to fulfill the Seoul commitment on Aid for Trade financing and work to ensure the continued effectiveness of our Aid for Trade support. We request the WTO and OECD to continue monitoring the Aid for Trade flows and report periodically to the DWG. We look forward to the review of G20 case stories that should provide clear messages on issues relating to effectiveness and impact, both for traditional donors and South-South cooperation. These issues will be further developed in the monitoring and evaluation exercise for the 4<sup>th</sup> Global Review of Aid for Trade, to take place during the Russian G20 Presidency in mid-2013. Of particular focus for this exercise will be the issue of private sector development and Aid for Trade, notably as regards the development impacts of value chains. .
48. We recognize the importance of trade in fostering economic growth, creating employment opportunities, and helping to achieve national development goals. Accordingly, we call for a rapid conclusion to the on-going Doha negotiations.
49. We will come back to all of these issues for stocktaking at our 4<sup>th</sup> DWG meeting.

#### ***Private Investment and Job Creation***

50. Fostering private investment to create jobs requires an overall business climate and regulatory framework that is conducive to the attraction of foreign and domestic investment. Delivering on past commitments, we welcome the Summary Report on Private Investment and Job Creation, provided by the Interagency Working Group (UNCTAD, ILO, United Nations Development Programme (UNDP), WB Group and OECD), containing policy recommendations on improving the business climate and the

regulatory framework for foreign and domestic investment, to attract investment that generates the most development value added and creates decent jobs, for promoting responsible investment in value chains, while respecting the commonly accepted ILO labor standards in supply chains, and stimulate investment in local enterprise development, including by boosting access to finance for small and medium size enterprises (SMEs), promoting entrepreneurship and supporting innovative business solutions that meet the needs of the poor in a sustainable way. We recognize the value of making use of appropriate policy tools and instruments designed to help governments promote private investment and entrepreneurship, on a voluntary basis, as developed by UNCTAD, the OECD, the WB, United Nations Industrial Development Organization (UNIDO) and ILO.

51. Developing countries benefit from attracting the types of investment to their economies that generate more development value added and create decent jobs. We invite low and middle income country governments to make use of the Indicator Framework, developed and field tested in six low and middle income countries by the Interagency Working Group (IAWG), with a view to attracting responsible private investment that generates more value added and creates more jobs, and in order to maximize the development impact of government programs aimed at encouraging such investment in particular value chains. We ask the IAWG for a final report which includes the results of the field testing of the indicators, for our next meeting in October. This report also identifies the best existing standards for responsible investment in value chains as well as options to promote their implementation, including those of the UN Global Compact, the ILO and the OECD. Care needs to be taken that the indicators and the standards are not used for the purpose of trade and investment protectionism.
52. Inclusive business models have the potential to drive development as they expand access to goods, services and livelihood opportunities for low-income people in commercially viable, scalable ways. Recognizing the high potential contribution of inclusive business models to development, we welcome the strong response to the G20 Challenge on Inclusive Business Innovation and congratulate the winners. We will support them through regional workshops and a web platform for knowledge-sharing, networking and partnering.
53. We welcome the Policy Note on the Business Environment for Inclusive Business Models, provided by IFC, assessing regulatory hurdles and offering policy recommendations for a business environment that is conducive to inclusive business models. We look forward to a progress report on the implementations and lessons learned from the regional workshops.

### ***Growth with Resilience***

54. We recognize that to achieve economic growth, action must be taken to help vulnerable populations manage risks and the impact of external shocks, such as economic crises and natural disasters. To that end, we reaffirm our 2011 Cannes commitment to support the implementation or expansion of national social protection floors in LICs, on a demand-driven basis, including through coordinated North-South, South-South and Triangular cooperation, and we welcome the IOs' efforts to progress this initiative.

55. The DWG welcomes the ILO, WB and UNDP's implementation of the 2011 social protection commitments – both the social protection gateway designed to assist LICs to develop effective, innovative and fiscally-sustainable social protection programs and a board to improve high-level multilateral coordination on social protection assistance will be delivered before the Los Cabos Summit–. Hosted by the UNDP, in collaboration with the WB and ILO, the gateway will facilitate knowledge-sharing on effective social protection approaches, including through capacity-building, and will draw particularly on the experiences of middle-income countries for the benefit of LICs. We encourage all countries to participate in the gateway, including by sharing their experiences, which shall help the countries in developing nationally-determined social protection programs that target the most vulnerable. We welcome the establishment of an inter-agency board chaired by the ILO and WB to enhance social protection coordination and collaboration among IOs and bilateral donors at the national and international level, and shall make all efforts to ensure its work complements, rather than duplicates existing efforts. We request the board to report progress in two years' time.
56. The DWG recognizes the work of individual G20 countries to support global poverty monitoring initiatives, such as the UN Global Pulse Initiative. We look forward to reviewing the results of the initial pilot programs on this initiative taking place in Indonesia and Uganda.
57. Recognizing the important role social protection programs play in food, nutrition, income and energy security, particularly in LICs, the DWG will strive to further strengthen the impact and relevance of its social protection work by building links with other pillars, ensuring that such work is designed according to the countries' needs and circumstances.
58. At the Cannes Summit, G20 leaders committed to work to reduce the global average cost of transferring remittances to five per cent by 2014, contributing to release an additional USD \$15 billion per year for recipient families. Given that the average remittance cost is at 9.12 per cent according to the WB, we call for increased global efforts to reduce remittance costs in order to meet the 2014 remittances objective through targeted actions, particularly to benefit LICs. We underline that the remittances toolkit, developed in 2011 by France, Australia and Italy provides practical examples for national governments on how to reduce remittance costs. We welcome the WB's efforts in monitoring through reporting to the DWG every six months on global progress in achieving this target.

### ***Financial Inclusion***

59. We welcome the significant progress with the G20 process achieved in the implementation of the five recommendations approved by the Leaders at the Cannes Summit on financial inclusion, particularly in the following issues:
- a. Principles and Standard Setting Bodies: The Sub-group on Principles and Standard Setting Bodies (SSBs) has promoted financial inclusion commitments and action plans that are in line with the G20 Principles for Innovative Financial Inclusion. Also, the sub-group is maintaining the Principles as a library of good practice. At the same time, it has been working to support and catalyze SSBs progress on financial inclusion within the context of their respective mandates. In this regard, there has been significant progress by several SSBs in considering and

incorporating financial inclusion in the revision of standards and guidance, in particular with respect to the incorporation or strengthening of the proportionality principle. In order to further strengthen the dialogue between the Global Partnership for Financial Inclusion (GPII) and the financial SSBs, a multi-stakeholder GPII conference on SSBs and financial inclusion will take place on 29 October 2012, hosted by the Financial Stability Institute at the Bank of International Settlements in Basel.

- b. SME Finance: The SME Finance Sub-group continues the work successfully delivered in 2011 to improve the policy environment and identify and scale up successful models of SME financing thereby contributing to the implementation under the GPII of the G20 Financial Inclusion Action Plan with the following initiatives: SME Finance Challenge and SME Finance Framework, SME Finance Initiative, SME Finance Forum, Innovative and scalable Agrifinance models, Women's Finance Knowledge Hub and the SME Finance Compact.
- c. Data and Measurement: The Data and Measurement Sub-group has focused on reaching GPII agreement on a G20 Basic Set of Financial Inclusion Indicators ("the G20 Basic Set") for adoption by the Los Cabos Summit. The G20 Basic Set will assist in focusing global efforts on measuring and sustainably tracking progress on access to financial services globally.

60. We recognize the progress made the GPII and encourage it to continue with the implementation of the Financial Inclusion Action Plan.

#### ***Domestic Resource Mobilization***

61. The effective mobilisation of domestic resources is key for development. Domestic revenues are recovering slowly in the wake of global financial and economic volatility. We welcome progress by International and Regional organisations in improving availability of tax revenue statistics and encourage them to expand on this work. Tackling tax havens and non-cooperative jurisdictions is also particularly important to LICs.

62. Support should continue to help developing countries address an increasingly complex set of international challenges including improving transparency for tax purposes. We welcome the technical assistance coordination platform launched February 2012 by the Global Forum on Transparency and Exchange of Information for Tax Purposes responding to a G-20 request, so as to facilitate the coordination of technical assistance to developing countries in the areas of transparency and exchange of information. The platform will serve as a bridge between the jurisdictions which will be requesting assistance, the IOs and development partners. With support from the WB and the United Kingdom, two intensive pilot projects have been launched with Ghana and Kenya aimed at helping them to implement the international standards and prepare them for peer review. We encourage countries to join the Global Forum (GF). A number of technical events have taken place already. The next GF meeting will be held in Cape Town in October 2012. A number of African countries are likely to join the GF by that time. It is key that they benefit from technical assistance.

63. The increase in illicit activities and illicit financial flows, including undeclared incomes, is also having a negative impact in the tax base of many developing countries despite

the strengthening of revenue systems. We welcome ongoing work on these issues in various international fora, and call for greater coordination to ensure alignment of initiatives and sharing of information towards the eradication of illicit activities and for relevant actors to strengthen and consistently enforce their procedures and policies against non-cooperative jurisdictions. We call upon all countries to sign the Multilateral Convention on Mutual Administrative Assistance in Tax Matters.

64. Transfer Pricing remains a challenge. We welcome the progress in improving coordination among international and regional organisations (the African Tax Administration Forum and the Inter American Center of Tax Administrations) in this area, and in particular the work being carried on by the UN Tax Committee's Sub Committee on Transfer Pricing, the establishment of the Global Forum on Transfer Pricing and the coordinated programme of the OECD, the European Union and WB in support of developing countries. In this regard, we support the capacity building in LICs, through knowledge sharing, in the area of Transfer Pricing.

### ***Knowledge Sharing***

65. We recognize the importance of Knowledge Sharing (KS) activities, through North-South, South-South and Triangular Cooperation, accepting that there is no "one-size-fits-all" model of development. In this context, the DWG agreed on supporting platforms on food security, growth with resilience and human resource development pillars. Considerable progress was made for the establishment of these three platforms since the Cannes Summit. More detailed presentations of the progress achieved were made in the sections of this report corresponding to each pillar. Notable progress has also been made in promoting KS in the area of domestic resource mobilization and international tax cooperation, notably with the launching of a platform to enhance coordination of technical assistance by the Global Forum on Transparency and Exchange of Information and the multi-stakeholder sub groups of the OECD's Tax and Development Task Force.
66. We look forward to the full implementation of KS platforms on agriculture and food security, human resource development and growth with resilience, as well as those that might be suggested in other DWG pillars.
67. We look forward to receiving by the G20 Summit in 2013 a consolidated report from the IOs working in the knowledge sharing pillar and the three platforms, assessing the progress and use of the platforms on tropical agriculture, skills and social protection, and on efforts to broaden the sources of knowledge in the various pillars of the MYAP.

### **Next steps**

68. The DWG will follow up on its commitments beyond Los Cabos Summit and deliver in October an updated report, including a work plan of its activities for next year, to the Russian Presidency.
69. We reiterate our full support to the G20 Russian Presidency. We reaffirm our will to strengthen our cooperation and remain committed to keep addressing key challenges for developing countries, in particular LICs, and to continue focusing our work on those priority areas central to achieve long term solutions to a more resilient and sustainable growth.