

MAKING THE GRADE?

The Group of 20's Commitments
to the World's Poorest



JUBILEE USA NETWORK

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About Jubilee USA Network

Jubilee USA Network is an alliance of more than 75 religious denominations and faith communities, human rights, environmental, labor, and community groups working for the definitive cancellation of crushing debts to fight poverty and injustice in Asia, Africa, and Latin America.



MAKING THE GRADE?

The G20's Commitments to the World's Poorest

On the eve of its third summit since the economic crisis began, the Group of 20 (G20), representing 85% of the world's economy, has made shockingly little progress in fulfilling its promises made to the poorest countries at its first summit last April.

Is the G20 on track to meet its own goals laid out a year ago? More importantly, does its performance meet the immense needs for poor countries to achieve the MDGs by 2015?

Subject	Grade	Comments
Overall Performance on Behalf of the Poorest Countries	D	<p>Unaccountable to affected communities: In September 2009, the G20 named itself "the premier forum for international economic cooperation," but affected low-income countries are excluded from G20's decisions.</p> <p>Little political will to deliver on commitments: Of the \$50 billion the G20 promised in new money to poor countries, still less than half – just \$24.78 billion - has been delivered. In the nine months since its last summit, the G20 has delivered just \$1.2 billion in new resources to the 2.7 billion residents of the 78 lowest-income countries. In comparison, the Canadian government will spend nearly that much on security alone to host the three day G8/G20 Summits.</p> <p>Contributing to renewed debt crisis: What's more – nearly all of the assistance to poor countries has been in the form of new loans. Thus, not only has delivery fallen far short of the need, but the G20's assistance has created new debt which could lead to another debt crisis in poor countries.</p>

Subject	On Track?	Meeting the Need?	Comments
Curbing Illicit Capital Flight Through Tax Havens	C	F	Developing countries have seen no tangible results; not a single tax haven has been categorized as "non-cooperating."
Increased Lending by IMF and MDBs	C	F	Lending did increase in 2009, but minimal support is going to the poorest countries. Loans, rather than needed grant support, may provoke a renewed debt crisis.
Allocating Special Drawing Rights	A	C-	Most Special Drawing Rights were allocated to G20 countries themselves; low-income countries received only 7% of the total, and interest charges persist.
Making the World Bank & IMF More Accountable	C	D-	Current voice and vote reforms have not sufficiently made the World Bank and IMF more accountable to affected populations.

Subject	On Track?	Meeting the Need?	Comments
Developing Binding Standards for Responsible Finance	D	F	A previously proposed "Charter for Sustainable Economic Activity" has completely lost momentum. The G20 now talks of "core values" that lack any mechanism of accountability.
Supporting Trade Finance	D	F	While the G20 claims to have delivered \$250 billion in trade finance, there is no transparency on what has been delivered and to whom.
Fulfilling Past Aid Pledges and MDGs	D	F	Donor countries only contributed 0.31% of combined income, compared to historical commitments of 0.7%. Commitments to double aid to Sub-Saharan Africa by 2010 are \$18 billion short.
Enhancing Social Protection	C+	D-	G8 members of the G20 pledged \$22 billion to promote food security in poor countries, but only \$6.1 billion is likely to be new money.
Mobilizing Additional Resources from IMF Gold Sales	B-	F	The IMF has increased its lending to low-income countries, but its "interest relief" amounts to an average of only \$500,000 per year for the countries that qualify. Despite receiving \$2.5 billion in windfall profits so far in gold sales, the IMF has not committed any more to poor countries.
Addressing Unsustainable Debt	A-	F	As directed by the G20, the World Bank and IMF tweaked their debt sustainability framework, but that remedy serves to create more debt for poor countries, threatening their future.
Monitoring the Impact of the Crisis on the Poorest	A	B	The UN is currently designing the Global Vulnerability Alert System (GIVAS); hopefully this system will also trigger action when vulnerabilities are identified.
Supporting Job Creation in Poor Countries	C	D	G20 actions helped to create or save 21 million jobs, but unemployment increased by 34 million during that same period. More concrete action must be taken, with a focus on the poorest countries.
Addressing the Urgent Threat of Climate Change	D	F	The Copenhagen climate accord falls tragically short; developed countries have set only nonbinding goals of providing \$30 billion annually to help poor countries adapt to climate change, while needs are estimated to be \$500-600 billion.

Final Comments: At their upcoming summit, the G-20 must commit to dramatically increase non-debt-creating resources and assistance to the world's poorest countries and fully meet its existing commitments.

THE G20'S COMMITMENTS TO THE WORLD'S POOREST

I. INTRODUCTION

On the eve of the third G20 summit since the global economic crisis began, Jubilee USA and the UN Millennium Campaign are taking a hard look at the G20's commitments to the world's poorest countries.

Has the G20 made good on the promises it made to low-income countries at its first post-crisis summit in April 2009? And what bold additional measures must the G20 commit to at the June 2010 Summit in Toronto to ensure that the Millennium Development Goals are met?

In its report on the second G20 summit last September, Jubilee USA found that the G20 had made adequate progress on less than half of its commitments to low-income countries (LICs). Moreover, Jubilee found that existing commitments were clearly insufficient to address the devastating impact of the crisis on the world's poorest countries.

Unfortunately these trends have not improved. Jubilee's current investigation of the G20's promises and the continuing impacts of the crisis on LICs finds that, **since their last summit nine months ago, the G20 has made shockingly little additional progress toward fulfilling its promises to the poorest countries.**

Not only are existing commitments insufficient to ensure progress toward the MDGs and avert the disastrous impacts of climate change, the assistance that has been delivered has come in the form of loans, threatening to create a new debt crisis for developing countries.

At their upcoming summit, the G20 must commit to dramatically increase non-debt-creating resources and assistance to the world's poorest countries and fully meet its existing commitments by the end of the year.

The Economic Crisis Continues to Devastate the World's Poor

Over one billion people throughout the world live in extreme poverty. Their desperation and suffering has been exacerbated by the devastating effects of the global economic crisis, which has undermined the ten-year struggle to reach the Millennium Development Goals (MDGs) by 2015.

In the 78 poorest countries where the vast majority of the population live on less than \$2 per day, there is no social safety net to help the most vulnerable weather the effects of the crisis, which continues to push millions of additional people below the international poverty line of \$1.25 per day. Meanwhile, poor countries are already being pressed to scale back their efforts to stimulate their economies by cutting deficit and social spending.

II. SUMMARY

In April 2009, at the first Summit of the G20 in London, world leaders¹ acknowledged the disproportionate impact of the global economic crisis on low-income countries and their collective responsibility to do something about it.² Leaders announced a series of new measures to deliver more than \$1 trillion in resources to developing countries, of which, \$50 billion would be dedicated to the 78 poorest countries.

Five months later, the G20 held its second summit in Pittsburgh. According to Jubilee's analysis at the time, modest progress had been made toward only some of the G20's promises to the world's poorest countries, and it was clear that existing commitments were not sufficient. Jubilee called on the G20 to get back on track to fulfill its promises to the world's low-income countries and to initiate bold additional measures to help these countries weather the crisis and meet the MDGs.³

After the September 2009 summit, the G20 congratulated itself for its efforts to avoid a complete collapse of the global economy and announced that the G20 would thereafter be the premier forum for international economic cooperation. The G20's acknowledgement that "the process of recovery and repair remains incomplete,"⁴ significantly understated the life-and-death realities facing the world's most impoverished countries on a daily basis. Rather than using the September summit to pledge the bold additional steps and assistance that were needed, the G20 reiterated previous promises to "strengthen support for the most vulnerable." Tragically, nine months later, **progress toward fulfilling even the existing inadequate commitments has slowed dramatically** and the agenda for the third G20 Summit in Toronto appears set to continue this neglect of the G20's responsibility to the world's poor.

As the leaders of the G20 prepare to meet in Toronto, the G20 has delivered just under half of the modest assistance promised for low-income countries over a year ago, nearly all of it in the form of new loans. Thus, not only has delivery fallen far short of the need, but the G20's assistance has created new debt which over time could lead to a new debt crisis in developing countries.

Implementation of the G20 commitments regarding accountability, transparency, and governance reforms is also lagging. Jubilee's current research finds that the G20 has fallen short in its efforts to stem the illicit flight of capital through tax havens and reform the governance structure of international financial institutions. Moreover, despite its repeated affirmation of the objective and principles of the United Nations Framework Convention on Climate Change (UNFCCC), the G20's commitments under the UNFCCC thus far do not even come close to adequately addressing the climate crisis facing developing countries.

As the self-proclaimed "premier forum for international economic cooperation," the G20 has the responsibility – and opportunity – to ensure that the pressing issues facing the world's 78 poorest countries receive the focused attention they deserve.

Finally, Jubilee's findings indicate that none of the G20's commitments made to this point are sufficient to ensure that the Millennium Development Goals (MDGs) are met by 2015. And, in a worrying trend, the G20's statements regarding low-income countries are increasingly vague, making accountability next to impossible. As the self-proclaimed "premier forum for international economic cooperation," the G20 has the responsibility – and opportunity – to ensure that the pressing issues facing the world's 78 poorest countries receive the focused attention they deserve as the leaders of the G20 gather in Toronto in June 2010.

Here Jubilee outlines specific policy recommendations for the G20, including concrete timelines and mechanisms for accountability to ensure the rapid delivery of past commitments and bold new measures to address the immense challenges facing low-income countries as they race to achieve the MDGs in the face of the economic and climate crisis by 2015. In the interest of transparency, accountability, and good governance, we also recommend steps the G20 should take to create a stronger voice and role for the poorest countries in decisions that affect them.

III. UNFULFILLED PROMISES: THE DEVELOPING WORLD IS “TOO BIG TO FAIL”

In the course of just a few months in late 2008/early 2009, G20 countries mobilized \$18 trillion to bail out the banking and financial system, the institutions directly responsible for the global economic crisis.

In sharp contrast, G20 countries have not lived up to their modest commitments to help the poorest countries survive the crisis and achieve the Millennium Development Goals.

Woeful Progress on Past Commitments

- While developed countries have historically committed to provide 0.7% of their gross national income as aid for poor countries, in 2009, aid represented a mere 0.31% of the combined gross national income of the donor countries.¹¹
- The G8 countries – a subset of the G20 - are \$18 billion short of their 2005 Gleneagles commitment to double aid to sub-Saharan Africa by 2010.¹²

Failure to Help Low-Income Countries Weather the Crisis

- While the G20 countries have successfully mobilized most of the \$1.1 trillion they pledged to help

developing countries in April 2009, nearly all of these resources are flowing to middle income and emerging market economies – NOT to low-income countries.

- Of this \$1.1 trillion overall commitment, the G20 promised to deliver just \$50 billion in additional assistance to low-income countries.¹³ More than a year later, the G20 has not delivered even half of this extremely modest amount. Our analysis finds that just \$24.78 billion has been delivered to date – with only \$1.2 billion of this amount delivered since the September 2009 summit.
- Even more worrisome, the \$50 billion commitment itself, reported by the UK government after the April 2009 Summit, has not been mentioned by G20 leaders since September 2009.
- In contrast, the top 20 “too big to fail” companies on Wall Street received \$283 billion in bailout money from U.S. taxpayers – eleven times more than the entire G20 has delivered in new resources to the 2.7 billion residents of the 78 lowest-income countries.¹⁴

The G20’s \$50 Billion Additional Commitment to Low-Income Countries: What Has Been Delivered?

Commitment	G20 Promise ¹	Delivery to Date
Special Drawing Rights (SDRs)	\$19 billion	\$19 billion
SDR 4th Amendment	\$2 billion	\$2 billion
IMF Gold Sales	\$6 billion	\$0 ²
Doubling IMF Concessional Lending	\$4 billion	\$2.7 billion ³
MDBs	\$6 billion	\$87.16 million ⁴
Trade Financing	\$12 billion	\$1 billion ⁵
Total	\$49 billion	\$24.78 billion

¹ Based on interpretation of communiqué and the UK government’s explanation of how the G-20 communiqué figure of \$50 billion was achieved. See Oxfam, “What Happened at the G-20?” Oxfam Briefing Note, April 2009, p. 3

² The IMF Board agreed to transfer approximately \$900 million into the subsidy account for low-income countries based on windfall profits from gold sales. To date, the IMF has reaped large windfall from gold sales, but the IMF will not transfer the agreed amount into the subsidy account until all the gold has been sold later this year. US Treasury Department Official

³ IMF increased concessional lending to \$3.7 billion in 2009 over approximately \$1 billion in 2008. It is unclear if Richard Hall, US Treasury, IMF, June 1, 2010

⁴ While the World Bank’s IDA frontloaded an additional \$900 million to low-income countries, this lending came from IDA’s limited three-year envelope and therefore does not qualify as additional finance.

⁵ An annex from the April 2009 communiqué clarified that only \$3-4 billion of the \$250 billion promised in trade finance was intended for low-income countries. It was very ambiguous how much of this amount would be public money. As of September 2009, EUROADAD found that, while the G20 had claimed that \$4 billion had been raised, the money was not necessarily additional. The World Bank Group’s International Finance Corporation had paid in \$1 billion of \$4 billion paid into its Global Trade Liquidity Pool (the main instrument for Low-Income Countries). This money was not additional, and the other donor money is presumably pre-existing aid funds. While more has been paid since September 2009, the lack of transparency as to whether any of this is truly additional leads us to estimate that likely not more than \$1 billion has been raised in additional public money for these purposes. Analysis from EUROADAD. “From London to Pittsburgh: Assessing G20 Action for Developing Countries,” September 16, 2009.

IV. A NEW DEBT CRISIS

G20 assistance to low-income countries is virtually all in the form of new loans, increasing the debt burdens of the poorest countries just as export income and remittance levels are in decline.

- 99.86% of the additional resources committed by the G20 to the poorest countries in April 2009 will add to these countries' long-term debt burdens.

There is cause for concern that these new loans, as well as increased internal borrowing due to the lack of sufficient international grant finance resources, will eventually force low-income countries to prioritize debt repayment over essential social services and lead to renewed debt crises throughout the developing world.

- The IMF recently reported that “the global crisis has increased low-income countries’ debt vulnerabilities significantly ... as financing requirements have increased while the countries’ payment capacity is expected to be permanently lower.” On average, the IMF states, “the debt sustainability outlook has clearly deteriorated.”¹⁵

There is cause for concern that these new loans will force low-income countries to prioritize debt repayment over essential social services and lead to renewed debt crises throughout the developing world.

V. THE G20’S PROMISES ONE YEAR LATER

In addition to the commitment of financial resources, the G20’s April and September 2009 communiqués discussed 13 other commitments which would benefit the world’s poorest countries, from stemming the illicit flight of capital through tax havens to governance reform of international financial institutions to addressing the urgent threat posed by climate change.

In terms of keeping its promises, the G20 has made progress in some areas and fallen short in others. And tragically, the G20 has yet to seriously commit to doing its part to help the world’s poorest countries meet the Millennium Development Goals (MDGs). None of the commitments made to this point are sufficient to ensure that these important global development targets are met.

- The Center for Global Development found that the IMF and Multilateral Development Banks (MDBs) have continued to lend very large volumes – including crisis loans to the very countries that have recently received debt relief under the Multilateral Debt Relief Initiative (MDRI), contributing to the re-accumulation of unsustainable debt burdens.¹⁶
- Despite a looming potential debt crisis, the IMF and World Bank reformed their Debt Sustainability Framework at the direction of the G20 to allow developing countries to borrow more and carry more debt. These short-sighted reforms of a fundamentally flawed framework failed to address the underlying need for expanded debt relief and non-debt-creating assistance.

Our examination of the G20’s progress toward meeting their commitments found the following:

Tax Havens

The G20’s pledge to “take action against non-cooperative jurisdictions, including tax havens” initially seemed like a positive step toward stemming the illicit flight of \$1 trillion annually from developing countries. Yet one year later, this pledge has not led to any tangible results for developing countries. The reason?

The G20 relies on the OECD to identify non-cooperative jurisdictions and the OECD does not currently identify a single country as non-cooperating.

IMF Gold

Despite huge profits from the ongoing sale of IMF gold and the G20's call to use this money to increase financial assistance to LICs, the IMF has slated the vast majority of the proceeds for its administrative budget.

- While the IMF has exceeded the G20's call for it to provide \$6 billion in loans and additional resources to low-income countries, the IMF's failure to tap existing gold resources to fund its commitments forces it to rely on contributions from member countries. This reliance on bilateral contributions raises concerns that donors will direct already scarce aid resources into the coffers of the IMF, an institution with a dubious development record.
- The much heralded commitment by the IMF to provide "interest relief" to LICs is worth only \$55 – 70 million over 2 years – just \$500,000 annually per country that qualifies.¹⁷ Given the tremendous need for grant support, this commitment falls far short.
- While half of the IMF's gold sales are complete – raising \$2.5 billion in windfall profits¹⁸ so far due to the higher-than-expected price of gold – the IMF has yet to commit any additional money to help low-income countries, and refuses to discuss the issue until all the gold is sold.

Special Drawing Rights (SDRs)

- As called-for by the G20, the IMF has delivered \$250 billion in Special Drawing Rights to increase liquidity in the global economy. However, low-income countries received only 7% of the total and there have been no efforts to mitigate the variable (and potentially high) interest rate charged for the use of SDRs by low-income countries.

Multilateral Development Bank (MDB) Lending

- Of the \$100 billion in increased lending promised by the Multilateral Development Banks, Jubilee estimates that the institutions lent an additional \$33 billion to developing countries in 2009.¹⁹ Initial estimates suggest that lending levels may not remain as high for most MDBs in 2010 and beyond.
- According to the UK government, \$6 billion of

increased lending by MDBs was originally intended for low-income countries, but Jubilee estimates that only \$87 million (1.4% of this commitment) was provided in increased support to LICs in 2009.²⁰ With the exception of increased grants to Haiti after the earthquake, early indications suggest that total lending and grants to LICs for the first half of 2010 are less than the amount given during the same timeframe in 2009. The World Bank's International Development Association (IDA) "front-loaded" \$900 million in lending to LICs²¹, and created a new Crisis Response Window, but IDA's overall resources have not been increased.

- The G20's welcome call for increased social protection in poor countries has been addressed through a \$22 billion food security program initiated at the 2009 G8 summit, among other, smaller efforts. But of the \$22.1 billion channeled through these initiatives, only \$6.1 billion is additional to pre-crisis aid commitments.²²

Trade Finance

- In April 2009 the G20 announced a commitment to provide \$250 billion in trade finance over 2 years, but an annex to this announcement stated that only \$3-4 billion of this total was slated for low-income countries. While the G20 asserts that it has met its \$250 billion goal, many months later, trade finance experts have been unable to independently verify the quantity or quality of trade finance dollars flowing to low-income countries.

Jobs

- The G20 has begun to address the employment impacts of the crisis - the International Labor Organization estimates that the policies adopted by G20 governments saved or created an estimated 21 million jobs since the crisis began. Nevertheless, global unemployment has risen by 34 million over the same period and many millions more workers have fallen out of the recorded labor force.²³ The G20's commitments on this front remain vague, particularly for low-income countries.

Climate Change

- The December 2009 Copenhagen (UNFCCC) Accord

was a supreme disappointment to those most affected by climate change. While it established a goal of a global temperature increase below 2°C, all indications are that even this target will not be met with the mitigation pledges to date.

- In terms of funding for adaptation and mitigation in developing countries, the Copenhagen Accord sets a nonbinding goal of \$100 billion annually from developed countries by 2020. This goal stands in stark contrast to the \$500-600 billion that the UN's World Economic and Social Survey estimates is needed. As a shorter-term goal, the Accord states that developed countries will provide assistance "approaching" \$30 billion annually in 2010 – 2012²⁴, although it is not clear whether these funds are new or additional or whether they will ever actually be delivered.
- The G20 currently channels the overwhelming majority of its assistance through the IMF and World Bank, institutions which continue to attach harsh and harmful economic policy conditions to their loans. While the IMF did relax conditionalities during the crisis, at least some loans continued to include measures that encouraged fiscal restraint when stimulus was needed. Moreover, in the "post-crisis" period the IMF has prematurely resumed fiscal restraint requirements. IMF and World Bank reform measures in this regard fall far short of what is needed.
- Steps taken to provide developing countries with more power in the governance structures of the IMF and World Bank have not substantially increased the power of the poorest countries. The "developing and transition countries" that received a larger voting share in the World Bank's recent governance reform actually included a substantial number of high-income countries such as Kuwait and Saudi Arabia.²⁵

Governance and Institutional Issues

- The emergence of the G20 as the preeminent forum for international economic cooperation is evidence of the shifting dynamics of world economic power, particularly the ascendance of developing countries like Brazil, India, Russia and China. Unfortunately the G20, while it does include some developing countries, does not include representation from low-income countries and is not accountable to these countries or their needs.
- The nonbinding "Charter for Sustainable Economic Activity" proposed by Germany and Italy appears to have completely lost momentum, as virtually nothing has happened to move it forward since the G8 finance ministers met in Lecce, Italy, one year ago.

V. KEY POLICY RECOMMENDATIONS FOR THE JUNE 2010 G20 SUMMIT IN TORONTO

As G20 leaders convene in Toronto on June 26-27, they must recommit to delivering on their promises to the world's poorest countries. Furthermore, they must unveil new commitments, with concrete timelines and accountability mechanisms to meet the Millennium Development Goals and fight extreme poverty. Jubilee USA calls on the G20 to take the following steps when they gather in Toronto:

The G20 countries must deliver on their past commitments of assistance to low-income countries.

The G20 must:

- Fully deliver on its pledge of \$50 billion in assistance to the world's poorest countries by the end of the year without requiring poor countries to implement harmful economic policies.
- Ensure that all commitments are additional to existing aid commitments.
- Counter the inequalities inherent in the Special Drawing Rights quota system by voluntarily transferring some of their countries' own Special Drawing Rights to low-income countries.
- Call on the IMF to immediately use its windfall profit of over \$2.5 billion from gold sales for debt relief and non-debt-creating financial assistance to low-income countries.

The G20 must commit to provide additional non-debt-creating assistance to help low-income countries weather the financial crisis, reach the MDGs by 2015, and avoid a new debt crisis.

The G20 must:

- Require that all future financing for low-income countries be provided in the form of grants rather than loans.
- Expedite debt cancellation for all countries that are eligible for the multilateral debt relief initiative (MDRI), without requiring these countries to implement harmful economic policy conditions.
- Commit to expand eligibility for debt cancellation to all countries that qualify for International Development Association-only lending, as well as to all other countries whose debt levels prevent them from meeting their people's basic needs and all countries currently servicing odious and illegitimate debts.
- Agree to a 2-year freeze on all debt payments for low-income countries and countries in crisis without the build-up of interest while permanent debt cancellation is being negotiated.
- Direct the World Bank and IMF to undertake immediate fundamental reform of their Debt Sustainability Framework, including input from civil society and affected populations in low-income countries.
- Initiate a fair and transparent arbitration process for sovereign debt crises, as current mechanisms such as voluntary debt relief and debt restructuring under the Paris Club are unfair and insufficient to deal with sovereign debt challenges facing low-income countries.

The G20 must deepen its commitment to global financial and governance reform, with particular attention to reforms that will benefit low-income countries and provide space for investments to achieve the MDGs.

The G20 must:

- Broaden the discussion on international economic cooperation beyond the 20 most powerful economies to include low-income countries and smaller economies. G20 countries should actively engage in discussion at the level of the United Nations. A discussion was started at the June 2009 United Nations Conference on the World Economic and Financial Crisis and its Impact on Development.
- Insist on significant reforms in IMF and World Bank economic policy conditionality to prevent these institutions from imposing pro-cyclical and other harmful economic policies on developing countries and countries in crisis.
- Call on the IMF and World Bank to adopt a double-majority voting system as an interim step toward the

inclusion of population size in determining voting shares.

- Channel its long-term development and climate change mitigation and adaptation assistance through multilateral agencies – such as the UN – with core competency in long-term development, rather than through the IMF or World Bank.
- Initiate efforts to engage with a wide range of civil-society organizations to develop binding standards for responsible finance and sustainable economic activity.
- Condemn the practices of vulture funds that litigate against poor countries that have received debt relief and change national laws to prevent profiteering by such funds.
- Change its approach to tax havens, replacing the current bilateral approach with a comprehensive multilateral information exchange model. As a first step, the G20 should sign onto the OECD-Council of Europe Convention on Mutual Administrative Assistance in Tax Matters.
- Insist that multinational companies publish a country-by-country breakdown of their profits and losses, as well as taxes paid.

The G20 should take immediate steps to mitigate the jobs impact of the economic crisis.

The G20 must:

- Maintain and increase recovery programs and stimulus spending to ensure robust economic growth that creates jobs.
- Continue dialogue and cooperation among G20 Labor Ministries and adopt a plan to implement and further develop the recommendations from the April 2010 Labor and Employment Ministers meeting.
- Establish an ongoing task force on employment issues which includes civil society.

Finally, the G20 should do its fair share in the fight against climate change, which has disproportionate impacts on the poorest countries.

The G20 must:

- Commit to dramatic increases in the amount of additional finance they will mobilize for mitigation and adaptation in developing countries. As part of these efforts, the G20 should investigate and support a combination of alternative sources of non-debt-creating finance such as a currency transaction levy, use of SDRs, and redirecting fossil fuel subsidies.
- Support binding emissions reductions to ensure a global temperature increase of no more than 1.5°C. Targets should reflect the historical responsibility of developed countries for causing the climate crisis and the right of developing countries to sustainable development.

VI. ENDNOTES

1 The G20 countries are: Argentina, Australia, Brazil, Canada, China, France, Germany, India, Indonesia, Italy, Japan, Mexico, Russia, Saudi Arabia, South Africa, South Korea, Turkey, United Kingdom, United States, and the European Union.

2 G20 Leaders Summit, Final Communiqué “The Global Plan for Recovery and Reform,” London, April 2, 2009.

3 Jubilee USA’s Sept 2009 Progress Report “Falling Short” analyzed 13 commitments made by the G20 and found that the G20 was on track to meet only 5 of the goals, was failing to meet 4, and was unlikely to meet 4 without major attention.

4 G20 Leaders’ Statement, “The Pittsburgh Summit,” September 24-25, 2009.

5 Based on interpretation of communiqué and the UK government’s explanation of how the G-20 communiqué figure of \$50 billion was achieved. See Oxfam, “What Happened at the G-20?,” Oxfam Briefing Note, April 2009, p. 3.

6 The IMF Board agreed to transfer approximately \$900 million into the subsidy account for low-income countries based on windfall profits from gold sales (due to prices in excess of \$850/oz). To date, the IMF has reaped large windfall from gold sales, but the IMF will not transfer the agreed amount into the subsidy account until all the gold has been sold later this year. US Treasury Official, IMF.

7 IMF increased concessional lending to \$3.7 billion in 2009 over approximately \$1 billion in 2008. It is unclear if lending at this level will continue. Conversation with US Treasury official, June 1, 2010.

8 While the World Bank’s IDA frontloaded an additional \$900 million to low-income countries, this lending came from IDA’s limited three-year envelope and therefore does not qualify as additional finance.

9 An annex from the April 2009 communiqué clarified that only \$3-4 billion of the \$250 billion promised in trade finance was intended for low-income countries. It was very ambiguous how much of this amount would be public money. As of September 2009, EURODAD found that, while the G20 had claimed that \$4 billion had been raised, the money was not necessarily additional. The World Bank Group’s International Finance Corporation had paid in \$1 billion of \$4 billion paid into its Global Trade Liquidity Pool (the main instrument for Low-Income Countries). This money was not additional, and the other donor money is presumably pre-existing aid funds. While more has been paid since September 2009, the lack of transparency as to whether any of this is truly additional leads us to estimate that likely not more than \$1 billion has been raised in additional public money for these purposes. Analysis from EURODAD. “From London to Pittsburgh: Assessing G20 Action for Developing Countries,” September 16, 2009.

10 UN Secretary-General Ban Ki-moon, Opening remarks at United Nations Conference on the World Economic and Financial Crisis and Its Impact on Development, June 24, 2009.

11 OECD, “Development aid rose in 2009 and most donors will

money for these purposes. Analysis from EURODAD. “From London to Pittsburgh: Assessing G20 Action for Developing Countries,” September 16, 2009.

12 World Bank, Global Monitoring Report, “The MDGs After the Crisis,” <http://issuu.com/world.bank.publications/docs/9780821383162>.

13 G20 Leaders’ Statement, London Summit, April 2, 2009.

14 World Bank, “Key Development Data & Statistics,” 2007.

15 IMF, “Preserving Debt Sustainability in Low-Income Countries in the Wake of the Global Crisis,” April 1, 2010.

16 Ben Leo, “Will World Bank and IMF lending lead to HIPC IV: Debt Deja-Vu all over again,” Center for Global Development Working Paper 193, November 2009.

17 Bretton Woods Project, “IMF financial package for low-income countries: Much ado about nothing?,” August 7, 2009.

18 Oxfam, “IMF 2010 World Economic Outlook neglects analysis of impacts on poor,” April 21, 2010. <http://www.oxfam.org/en/pressroom/pressrelease/2010-04-21/imf-2010-world-economic-outlook-neglects-analysis-impacts-poor>.

19 Staff calculation based on total lending increases in FY 2009 over FY 2008 for the World Bank, Asian Development Bank, African Development Bank and Inter-American Development Bank. See annex for details.

20 Staff calculation based on total lending increases in FY 2009 over FY 2008 for the World Bank, Asian Development Bank, African Development Bank, and Inter-American Development Bank. See annex for details.

21 Bretton Woods Project, “Bank accused of neglecting poorest countries,” November 20, 2009. <http://www.brettonwoodsproject.org/art-565636>.

22 Forthcoming analysis from ActionAid International, June 2010.

23 International Labor Organization, “Unemployment reached highest level on record in 2009: Somavia calls for the same policy decisiveness that saved banks to save and create jobs,” January 26, 2010.

24 United Nations Framework Convention on Climate Change, “Copenhagen Accord,” December 18, 2009.

25 Bretton Woods Project, “Analysis of World Bank voting reforms: governance remains illegitimate and outdated,” April 30, 2010. <http://www.brettonwoodsproject.org/art.shtml?x=566281>.

MAKING THE GRADE?

A Progress Report of the G20's Commitments to the World's Poorest

The following scorecard evaluates the G20's progress toward key commitments made at the conclusion of its first summit on the global economic crisis in April 2009.

Jubilee USA's analysis focuses on the 13 issues from the post-summit communiqué that are most relevant to the world's 78 poorest countries. We grade the G20's promises from two perspectives - first based on whether they are "on track" to meet their stated promise. And second, based on whether the actions promised and taken by the G20 adequately address the needs of the world's poorest countries as they work to meet the Millennium Development Goals (MDGs) by 2015.

In a similar analysis published before the G20's second Summit in September 2009, Jubilee USA found that the G20 was on track to meet only 5 of its stated goals, failing to meet 4, and unlikely to meet 4 without major attention.

Unfortunately research for the current scorecard - issued on the eve of the G20's third post-crisis summit - revealed **shockingly little additional progress by the G20 toward fulfilling its promises to the poorest countries.** Implementation of accountability, transparency, and governance reforms is lagging. Over half of the pledged assistance has yet to be delivered. And what aid has been delivered has been in the form of loans - burdening low-income countries with debt that may eventually arrest their progress toward sustainable development and achieving the MDGs. **Clearly the G20 has not made the grade regarding support for the world's poorest countries as they contend with the impact of dual (economic and climate) crises not of their making.**

Jubilee USA calls on the G20 to meet its past commitments by the end of 2010 and use the upcoming summit to announce new efforts to ensure that the Millennium Development Goals are met and the world's poorest countries have the resources they need to adapt to and mitigate the climate crisis.

G20 Commitments	On Track? C	Meeting the need? F	Progress	Falling Short	Improvements Needed
Curbing illicit capital flight through tax havens	C	F	<p>The G20's pledge to "take action against non-cooperative jurisdictions, including tax havens" is a positive step toward stemming illicit capital flight which drains \$1 trillion annually from developing nations¹ - 10 times the amount of total official development assistance.</p> <p>The OECD Global Forum has initiated a peer review process to evaluate the implementation of its standards on transparency and exchange of information for tax purposes and to examine the progress that members of the Global Forum have made towards implementing effective tax information exchange. The first set of peer review reports will be finalized when the Global Forum meets in late September 2010.</p>	<p>Not a single country has yet been judged to be "non-cooperating" based on the OECD's standards.</p> <p>As a result, over a year later the G20's pledge to "take action against non-cooperative jurisdictions, including tax havens" has not led to any tangible benefits for developing countries.</p>	<p>The G20 should replace the current flawed bilateral system with a comprehensive multilateral information exchange model. The G20 should sign onto the OECD-Council of Europe Convention on Mutual Administrative Assistance in Tax Matters. The Global Forum's peer review process should be strengthened to include: 1) specific monitoring indicators regarding exchange of information with developing countries; 2) substantial civil society and developing country representation; and 3) public disclosure of all documented outputs as part of an annual multi-criteria public rating of all countries under review. The G20 should call on multinationals to 1) publish a country-by-country breakdown of their profits and losses, taxes paid and other information and 2) require the OECD to report on any tax havens identified through this process by the end of 2010, ensuring that appropriate follow-up action is taken by the International Accounting Standards Board (IASB).</p>

C20 Commitments	On Track?	Meeting the need?	Progress	Falling Short	Improvements Needed
<p>Increased Lending by the IMF and Multilateral Development Banks (MDBs)</p>	<p>C</p>	<p>F</p>	<p>The MDBs have delivered \$33 billion of a promised \$100 billion in increased lending to help countries contend with the economic crisis.²</p> <p>The IMF has received commitments from donor countries for a total of \$588.6 billion, including an additional \$88.6 billion committed since the 2009 Pittsburgh Summit, though much of this has yet to be delivered.³</p> <p>Agreements for general capital increases for the Asian Development Bank, the World Bank's IBRD, and the Inter-American Development Bank have been reached. It appears likely that the African Development Bank will secure an agreement soon.</p>	<p>Most MDB funds are debt-creating, fueling a potential debt crisis in developing countries. The IMF continues to promote pro-cyclical, contractionary policies as part of its crisis lending, undermining the impact of additional resources.</p> <p>Only a tiny fraction of increased lending in 2009 went to low-income countries. And overall lending is expected to decrease in 2010 and beyond. The MDBs' capital increase requests for their middle-income lending windows threaten to divert donors' limited aid budgets away from assistance to low-income countries.</p>	<p>The G20 must ensure that MDBs prioritize increased grant support and debt relief for low-income countries rather than new loans. And the G20 must insist upon far-reaching reforms in IMF and MDB economic policy conditionality before delivering further financing through these institutions.</p> <p>99.86% of the additional resources committed by the G20 to the poorest countries will add to these countries' long-term debt burdens.</p>
<p>Allocating Special Drawing Rights (SDRs)</p>	<p>A</p>	<p>C -</p>	<p>In August 2009, the IMF delivered \$250 billion in SDRs to increase liquidity in the global economy. In a staff position note, the IMF explored using SDRs⁴ as an innovative mechanism for climate finance, given the need for large scale and immediate finance to support climate adaptation and mitigation for low-income countries.</p>	<p>Low-income countries received only 7% or \$19 billion of the total \$250 billion SDR allocation. Variable (and potentially high) interest rates also impede the usefulness of SDRs to low-income countries.</p>	<p>The G20 should urge the IMF and developed countries to cover SDR interest charges or fix the interest rate to better serve without creating more debt. Additionally, developed country members of the G20 should transfer parts of their own SDR allocations to poor country accounts. The G20 should seriously consider the use of "green" SDRs as a mechanism to generate funds for climate adaptation and mitigation in low-income countries.</p>

G20 Commitments	On Track?	Meeting the need?	Progress	Falling Short	Improvements Needed
Making the IMF More Accountable to Poor Countries	C	D-	<p>At the September 2009 Pittsburgh Summit, G20 leaders directed the IMF to implement a quota formula that had been agreed to in 2008. At the 2010 IMF/World Bank spring meetings, the IMF Managing Director announced his intent to accomplish this by January 2011.⁵</p> <p>Also at the spring meetings, the IMF Managing Director noted that broader reforms, including greater accountability and transparency, as well as increased efficacy and diversity of the Executive Board are under discussion.⁶ Final decisions on the reform package are expected to be made at the November 2010 G20 Summit in Seoul, Korea.⁷</p>	<p>The G20's claim that the pre-existing IMF quota formula would increase the quota shares of emerging and developing countries to at least 5% and protect the voting share of their poorest member states' contradicted the analysis of the G20's own working group on IMF reform. The working group had recommended that, to achieve these goals, the quota formula itself would need to be reformed.⁸</p> <p>There is no definitive timeline for broader IMF reform, and while initial discussions have ostensibly begun, there is no evidence of real commitment to achieving these goals anytime soon.</p>	<p>The IMF's quota formula must be reformed to eliminate over-representation of developed economies and to protect the voting share of emerging and low-income countries. The G20 should require that the IMF increase its transparency by quickly publishing transcripts of board meetings and draft policy documents, working under the presumption of disclosure.</p>
Making the World Bank More Accountable to Poor Countries	C	D-	<p>The World Bank announced at the IMF/World Bank 2010 Spring Meetings that it has increased the voting powers of transition and developing countries in its main lending arm (IBRD) by 3.13%, resulting in a total shift of 4.59% since 2008.⁹ The next World Bank voice and vote review will take place in 2015. Part II IDA members, a mix of 143 high, middle, and low income countries, also saw an increase in voting share from 40.1% in 2008 to 45.58% in March 2010.¹⁰</p>	<p>The definition used for "developing and transition economies" included 16 countries that the World Bank itself classifies as high-income countries, including Kuwait and Saudi Arabia.¹¹ Despite being most affected by IDA financing, low-income Part II IDA members only received a voting share increase of 3.32%. Some low-income countries actually lost voting share in the shift, including 11 from Sub-Saharan Africa.¹²</p>	<p>The G20 must direct the World Bank and IMF to pursue real, inclusive voting reform to ensure that low income countries are equitably represented. The Bank and Fund should institute a double-majority voting system as an interim step to more comprehensive reform that considers population size when determining voting shares and increases the IMF and World Bank's accountability to affected populations.</p>
Developing Binding Standards for Responsible Finance	D	F	<p>As a follow up to the April 2009 promise to develop a Charter for Sustainable Economic Activity, G8 Finance Ministers in Lecce, Italy in June 2009, unveiled the "Lecce Framework," an agreement to develop a shared set of global standards on sustainable economic activity.</p>	<p>There does not appear to be much political support for this initiative outside of Germany and Italy and it seems not to be going anywhere fast.</p>	<p>The G20 should develop binding standards for sustainable economic activity, including a framework on responsible lending and borrowing and measures to address the threat posed by vulture funds. All efforts to develop these standards should include broad civil-society representation.</p>

<p>G20 Commitments</p>	<p>On Track?</p>	<p>Meeting the need?</p>	<p>Progress</p>	<p>Falling Short</p>	<p>Improvements Needed</p>
<p>Supporting Trade Finance for Poor Countries</p>	<p>D</p>	<p>F</p>	<p>While the G20's working group claims its April 2009 commitment of \$250 billion commitment in trade finance has already been delivered,¹³ few details are available.</p> <p>Of the \$250 billion, only \$4 billion was committed for trade finance in low-income countries.¹⁴ And of the \$4 billion, \$1 billion channeled through the World Bank's IFC appears to be the only amount that was additional to pre-existing aid commitments.¹⁵</p>	<p>The lack of transparency regarding delivery of G20 trade finance is unacceptable. It is unclear whether the finance made available thus far represents pre-existing or new commitments, how much has actually been delivered and to whom.</p> <p>Anecdotal evidence indicates that at least some low-income countries have not benefited from trade finance because it was channeled through export credit agencies and Multilateral Development Banks. And it is not known whether small and medium enterprises in low-income countries have benefited.¹⁶ Moreover, some exporters have used the financial crisis to pressure export credit agencies to suspend or eliminate their environmental and social safeguards.¹⁷</p>	<p>In the interest of transparency and accountability, the G20 must use an independent tracking and reporting mechanism regarding trade finance. This tracking mechanism should indicate whether recent trade financing has damaged environmental and social safeguards.¹⁸</p> <p>Beyond these issues, trade finance commitments have dubious development value for low-income countries as they may be used to support specific politically popular or influential exporters in rich countries.</p>
<p>Fulfilling Past Aid Pledges and Meeting the Millennium Development Goals</p>	<p>D</p>	<p>F</p>	<p>While the G20's reaffirmation of its commitment to fulfill past aid pledges to help poor countries meet the MDGs is welcome, the aid commitments by donor members of the G20 continue to fall far short of what is needed to meet the MDGs.</p> <p>Moreover, while some countries have delivered on commitments made during the 2005 G8 summit in Gleneagles, others have instead begun to scale back their development assistance.</p>	<p>The G8 is \$18 billion short of its 2005 Gleneagles commitment to double assistance to Sub-Saharan Africa by 2010.¹⁹ A leaked G8 draft communiqué for the upcoming summit dropped reference to the Gleneagles commitments altogether.²⁰ Sub-Saharan Africa is the region where achievement of the MDGs is most at risk due to extreme poverty, climate change, and the impacts of the economic crisis.</p> <p>Since the 1970s, a majority of donor countries have pledged to provide at least 0.7% of their Gross National Income (GNI) in the form of aid. While five of the smaller donor countries met that target in 2009, the combined average for all donor countries was only 0.31% of GNI.²¹</p>	<p>The increased needs of poor countries require that G8 and richer members of the G20 deliver on their past pledges and provide 0.7% of their GNI as Official Development Aid to the poorest countries with a concrete timetable and clear mechanisms to monitor progress and accountability.</p> <p>G20 donors must also ensure that development assistance reaches the most vulnerable, as opposed to countries in which donor governments have a strategic interest.</p>

C20 Commitments	On Track?	Meeting the need?	Progress	Falling Short	Improvements Needed
Enhancing Social Protection for Poor Countries	C+	D-	<p>The G20 has committed \$2 billion in additional funds since the July 2009 G8 L'Aquila pledge of \$20 billion over the next 3 years for the world's poorest.²² The Vulnerability Financing Framework (VFF), discussed in past Summits, did not gain traction with G20 governments. The UK funds provided to the VFF before the September 2009 Pittsburgh Summit have been exhausted. The Global Agriculture and Food Security Program (GAFSP) – a trust fund administered by the World Bank and supported by donor countries and private foundations - now has \$880 million.²³ The US commitment of an additional \$475 million must be approved by the US Congress for FY 2011.²⁴</p> <p>In December 2009, the Bank created the Crisis Response Window, a new mechanism to provide immediate relief for LICs experiencing exogenous shocks like the global economic crisis, health pandemics, and natural disasters.</p>	<p>Of the \$22 billion slated for food security, only \$4.5 billion is additional to pre-existing commitments.²⁵ Currently, the World Bank's Crisis Response Window has \$1.3 billion in financing, representing a redeployment of resources from the low-income lending arm of the World Bank (IDA).²⁶</p>	<p>\$22 billion over three years (\$7.4bn/year) is not sufficient to address the extreme hunger currently facing one billion people around the globe. The G20 must ensure that resources for global food security are truly additional to already-existing commitments instead of redirecting already limited aid budgets.</p> <p>Additional funding will not be enough and could be potentially harmful unless it is supported by policies that protect the poorest, ensure fair representation from affected communities, and reject economic policy conditions that restrict social spending.</p>

G20 Commitments	On Track?	Meeting the need?	Progress	Falling Short	Improvements Needed
<p>Mobilizing Additional Resources from IMF Gold Sales for Poor Countries</p>	<p>B -</p>	<p>F</p>	<p>Since the IMF agreed to sell 403.3 metric tons of gold in April 2009, 236 metric tons have been sold.²⁷ The IMF's commitment to provide "up to \$8 billion in concessional assistance to low-income countries over the next two years" exceeded the G20 call for \$6 billion in loans and additional resources to low-income countries.</p>	<p>The IMF's decision to sell only a small percentage of its gold and to continue to provide assistance in the form of loans, rather than debt relief or grants, undermined the potential of additional financial resources to help impoverished countries. An IMF Board agreement made in July 2009 mobilized only \$785 million from gold sales for poor countries, far short of civil society's call for \$5 billion to be used for debt relief and additional concessional support for low-income countries.</p> <p>The rising price of gold has resulted in an additional windfall of \$2.5 billion,²⁸ yet the IMF refuses to dedicate these funds to concessional assistance for low-income countries and is unwilling to even discuss the issue until all the gold is sold.</p>	<p>The G20 should direct the IMF to use all windfall profits (gold sold above the price estimated by the Fund in its 2008 calculations) from recent and future gold sales for debt relief and non-debt creating finance for low-income countries.</p>
<p>Addressing Unsustainable Debt</p>	<p>A -</p>	<p>F</p>	<p>At the G20's direction the World Bank and IMF boards changed the Debt Sustainability Framework (DSF) to increase borrowing limits for some countries. Access limits for lending to low-income countries were also doubled.</p>	<p>Allowing low-income countries to borrow more during an economic crisis is like raising the credit card limit for a person who is already in debt and has lost his job. This short-sighted approach burdens low-income countries with increased debt that will negatively impact their economies and development prospects in the future. The DSF was altered without any meaningful input from civil society or affected communities.</p>	<p>The G20 should commit to deliver debt cancellation to all countries that qualify for International Development Association-only lending from the World Bank. It should also commit to deliver debt cancellation to all countries whose debt levels currently prevent them from meeting their peoples' basic needs, as well as countries that are servicing odious or illegitimate debts. A binding legal framework that fairly allocates the burden of irresponsible borrowing between creditors and debtors should be created immediately.</p>

C20 Commitments	On Track?	Meeting the need?	Progress	Falling Short	Improvements Needed
Monitoring the Impact of the Crisis on the Poorest	A	B	<p>The UN's Global Impact and Vulnerability Alert System (GIVAS) is currently in its design phase. A report on the GIVAS will be presented at the June 2010 Toronto Summit, and the system is on track to be operational in time for the November 2010 Seoul Summit.²⁹</p>	<p>While it is an important step for the international community to have a global monitoring system to measure the impact of the crisis on the most vulnerable (GIVAS), it is critical that the GIVAS not be solely a tool to collect information. The G20 should encourage the GIVAS to develop a response mechanism to confront problems it detects as a result of information collection.</p>	
Supporting Job Creation in Poor Countries	C	D	<p>The G20 has consistently acknowledged the need to address the impact of the crisis on jobs, but to this point their commitments have been too vague to permit genuine accountability.</p> <p>Policies adopted by G20 governments during the economic crisis saved or created an estimated 21 million jobs in 2009 and 2010.³⁰ G20 Labor and Employment Ministers met for the first time in Washington, DC in April 2010 and came to consensus on a number of policy recommendations for G20 leaders that have the potential to make a significant positive impact on employment and poverty alleviation if adopted and further developed.</p>	<p>In 2009, global unemployment rose to nearly 212 million people, an increase of 6.6% or 34 million since 2007. Projections for unemployment in 2010 remain similarly high.³¹</p>	<p>The G20 must maintain and increase recovery programs and stimulus spending to ensure robust economic growth that creates jobs, implement recommendations from the April 2010 Labor and Employment Ministers Meeting, and continue dialogue and cooperation through a second G20 Employment Ministerial which should be held before the end of 2010.</p> <p>The G20 should also establish an ongoing task force on employment issues that includes civil society participation. Implementation of this plan should be tracked by a tripartite task force as called for by global unions.</p>

G20 Commitments	On Track? Meeting the need?	Progress	Falling Short	Improvements Needed
<p>Addressing the Urgent Threat of Climate Change</p>	<p>D</p>	<p>The UNFCCC Accord that resulted from the Copenhagen Climate Summit in December 2009 was a profound disappointment to those most affected by climate change. The accord established a goal to keep global temperature rise below 2°C and sets a nonbinding goal of \$100 billion annually from developed countries to developing countries beginning in 2012 to help them mitigate and adapt to climate change. The Accord also sets a non-binding target to deliver \$30 billion annually to developing countries between 2010 and 2012.³²</p>	<p>The goals set out in the Copenhagen Accord fall far short of what is needed. Developed countries have not pledged emission cuts at a level sufficient to keep global temperature rises below 2°C, itself an unacceptably high target. The existing funding commitments are dramatically short the \$500 - \$600 billion annually that the UN has estimated will be necessary to help countries adapt to the threats of climate change. Further, it is unlikely that existing funding commitments are new or additional.</p>	<p>Developed countries must immediately fulfill their \$30 billion commitment for 2010 and rapidly expand their financing commitments for future years. To raise funds at the scale needed to address the urgent threat of climate change, the G20 must actively investigate and implement innovative financing mechanisms, such as a currency transaction levy, use of SDRs, and redirecting fossil fuel subsidies. Targets for emission reductions, as well as increased finance, should reflect the historical responsibility of developed countries for causing the climate crisis and the right of developing countries to sustainable development.</p>

ENDNOTES

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- 3 IMF Factsheet, "IMF Standing Borrowing Arrangements," Last Updated April 14, 2010.
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- 6 IMF and World Bank Joint Ministerial Committee of the Boards of Governors of the Bank and the Fund, "Statement of the Managing Director of the International Monetary Fund," April 23, 2010.
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- 23 "Treasury on Global Agriculture, Food Security Program Outlines efforts to advance food security, promote agriculture development," April 22, 2010. <http://www.america.gov/st/texttrans-english/2010/April/20100422174942eafas0.422146.html#ixzz0h7yp0tF>
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ANNEX: Lending Increases Since G20 Commitment

Fund	Total	To low-income countries through concessional windows
World Bank	From July 1, 2008 to June 30, 2009, the World Bank lent approximately \$20 billion more than the previous year. ¹	The Bank stated that they intended to frontload the bulk of its International Development Association (IDA) resources in 2009 to provide immediate funding to LICs, but only \$900 million was actually frontloaded ² from their FY09 total budget of \$14 billion. ³ They also created the Crisis Response Window for LICs, though the \$1.6 billion in funds were drawn from IDA, and therefore were not additional. There are indications that frontloading of resources in FY2010 will also be inadequate, and furthermore this frontloading does not represent additional funds. ⁴ US Treasury officials expect that an increase of IBRD transfers to IDA may occur over time as part of the capital increase, expanding the pool of resources available to LICs. ⁵ The IDA-16 Replenishment process is underway, though it is unclear how much additional money IDA will receive in this replenishment cycle.
Asian Development Bank	From April 1, 2009 to March 31, 2010, the AsDB lent \$3.4 billion more than the previous year.	The Asian Development Fund, the low income window that provides concessional financing, will have \$2.7 billion available for loans and grants. ⁶
Inter-American Development Bank	From January 1 – December 31, 2009, the IDB lent \$4.2 billion more than the previous year. Lending approvals for the first quarter of 2010 were \$1.6 billion less than during the first quarter of 2009, suggesting that lending levels are now decreasing. ⁷	The Fund for Special Operations (FSO), the low-income window of the IDB, did not increase lending in 2009 over 2008, and, except for an extraordinary \$80 million grant approved for Haiti after the earthquake, concessional support to LICs has been \$51.5 million less in the first quarter of 2010 than the same period last year. At the March 2010 IDB annual meeting, the Board of Governors announced in a non-binding declaration that that the FSO will be “fully replenished,” but there is no indication of a scaling up of concessional support, except for Haiti. ⁸ The Governors also agreed to cancel \$479 million of Haiti’s remaining debt.
African Development Bank	From January 1 – December 31, 2009, the African Development Bank lent \$2.3 billion more than the previous year.	Instead of the traditional 3 year cycle for AfDF replenishment, the AfDB hopes to speed up the process to 2.5 years, though it is unclear how much the AfDF will receive in this replenishment cycle. ⁹ As part of the capital increase discussion, donor countries such as the United States are pushing for AfDB reforms that would require transfers of \$15-\$50 million/year from the middle income window; reforms ensuring significant resource transfers to the concessional window have been proposed as part of the capital increase. ¹⁰

Capital Increases¹¹

World Bank	The World Bank Board endorsed a general capital increase for the IBRD of \$58.4 billion during the April 2010 Spring Meetings. ¹²
Asian Development Bank	The ADB was the first MDB to receive an agreement for its 200% capital increase in May 2009, increasing its total capital from \$55 billion to \$165 billion. ¹³
Inter-American Development Bank	The IDB Board of Governors agreed to a general capital increase of \$70 billion at their March 2010 Annual Meetings in Cancun ¹⁴ and will likely approve it by formal vote by June 21, 2010. ¹⁵
African Development Bank	The Governors of the AfDB approved a 200% general capital increase on May 27, 2010. The institution’s capital will now stand at approximately \$100 billion. ¹⁶

1 World Bank total lending was \$58.8 billion for FY09 and \$24.7 billion for FY08 <http://siteresources.worldbank.org/EXTAR2009/Resources/6223977-1252950831873/AR09-Complete.pdf> p 55

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6 Ibid.

7 InterAmerican Development Bank, John Ferriter, Office of External Relations, June 1, 2010.

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9 Ibid.

10 Ibid.

11 With all General Capital Increase agreements, the United States’ Congress must authorize and appropriate the U.S. contribution, which for most will not be considered before 2011.

12 Joint Ministerial Committee of the Boards of Governors of the Bank and the Fund, “April 2010 Development Committee Communiqué,” April 25, 2010. <http://www.imf.org/external/np/cm/2010/042510.htm>

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