

Address to SAIIA's 3rd Annual African G20 conference: The G20 and
Africa's Practical Development Challenges

*"South Africa's view of the outcomes of the G20 Summit for sustaining growth and resilience
in Africa"*

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Programme Director,
Chief Executive of SAIIA, Ms Sidiropoulos;
High Commissioners, Ambassadors, and members of the Diplomatic Corps,
Representatives of the civil society including labour and research institutions, and
academia;
Distinguished guests;
Ladies and gentlemen

Thank you for this opportunity to make an input into this important conference and discussion on South Africa's view of the outcomes of the 2014 G20 Summit. Let me start by congratulating Australia for its sterling leadership of the G20 in 2014 and the robust and focused Brisbane Action Plan. We also welcome Turkey as the new President of the G20 in 2015. We have no doubt that Turkey will continue to streamline the agenda and its implementation to address global inclusive, balanced, and sustainable, growth challenges.

We must indicate from the onset that, it was indeed a wise decision for the leadership of our country to seek membership to strategic global institutions and forums such as G20, and BRICS. This, without fear of contradiction, has elevated the African agenda in the world in a way that is different from the past, signifying the relevance of South Africa's approach to international relations and cooperation. Africa as a consequence is emerging from being perceived as a "problem case", to becoming a solution and the key enabler to global growth and development.

South Africa as co-chair of the G20 Development Working Group has critical role to play in entrenching the African agenda. Together with other members, we are striving to ensure a stronger, inclusive, balanced and sustainable global economy.

This is a national priority, stated as outcome eleven in the current administration's Medium Term Strategy Framework that is "to contribute to a better and safer Africa in a better world".

Programme Director, Ladies and Gentlemen

The theme of this conference is important and relevant during a period when the world is authoring a long-term economic growth agenda after the recent global economic crisis. It is vital for us in our continent, to appropriately locate our policy narrative and articulation on the basis of a clear understanding of our practical development challenges. South Africa's policy perspective for participation in global institutions and forums is informed by deep understanding of our history and aspirations; which cannot be separated from the struggle against colonialism and apartheid to the current quest for radical social and economic transformation reverberating throughout the continent.

African challenges of unemployment, poverty, and inequality are symptoms broadly caused by historical colonial and apartheid neglect and destruction, poor governance, infrastructure, and education/skills among others.

While recognising that African growth is increasing even though from a low base, its resiliency has been reinforced by improved macroeconomic management, infrastructure investment, expanding services sectors, and agricultural production. The region's favourable economic outlook can be sustained if a number of domestic and external risk factors are mitigated. These risks include the recent Ebola outbreak in Guinea, Liberia and Sierra Leone; fiscal vulnerabilities; slack in commodity demand and risk aversion.

Many African countries are advancing their policy narrative to effectively deal with challenges. These individual countries' policy narratives or plans will be aligned to the continent's long-range view of the future called "Agenda 2063 – The Africa We Want", which is expected to be passed by Heads of State in the January 2015 AU Summit.

Ladies and Gentlemen

We are of the view that the G20 2014 Brisbane outcome is a positive milestone towards supporting the African agenda. The Brisbane outcome presents a clear opportunity for Africa to address its challenges partnering with the G20 members whose economies represent 85% of global GDP and 75% of global trade.

World leaders during the Summit reaffirmed that global economic output is expanding despite the legacies of the 2008 global financial crisis. Global growth is projected to be 3.3% this year and is expected to expand to 3.8% in 2015. Nonetheless, leaders noted that this global growth is slow, uneven and not delivering the jobs needed.

They agreed that constraints to increasing economic growth were caused by a lack of global aggregate demand and supply-side stimulation. This means, while fiscal

space and unconventional monetary policies were helpful to stabilise global economy, they may not be sufficient to bring about long-term sustainable and inclusive growth.

Leaders noted that, going forward, while some countries might have space to use macroeconomic policy stimulus, global growth will be boosted more through country-specific structural reforms included in their growth strategies. South Africa, however, is of the view that both macroeconomic measures to stimulate demand and implementation of structural reforms to remove growth constraints are of equal importance.

In our view, this has been central to what the G20 in 2014 has emerged with under the Australian Presidency, the package for strategies to bring about 2.1% growth target by 2018. In practical terms, the combined growth strategies of G20 member countries is expected to inject an additional \$2 trillion into the global economy and create millions of new jobs.

In South Africa's G20 growth strategy, which is informed and guided by the National Development Plan, our key reforms are aimed at:

- Accelerating infrastructure delivery
- Expanding and improving basic education and post-school training
- Expanding and improving labour participation, particularly among women and the youth
- Improving the effectiveness of competition policy and
- Broadening trade and regional integration

This outcome underscores South Africa's consistent approach over the last few years, in the G20 in particular, to the effect that the G20 development agenda effectively underpins all of the work of the G20. South Africa continuously underlines its belief that the Group's development agenda will – over the long term – serve as the foundation for the achievements in the work that is being done by the G20 in the financial and economic areas. Without development, the markets in Africa, Asia and South America will not be able to serve as the engines of demand and growth which are so clearly needed in this period of stagnation in the World's economy.

Ladies and Gentlemen,

I shall take two critical examples (Governance and Infrastructure), to make a high level illustration of how the G20 Brisbane Action Plan supports the African agenda and how this can be strengthened. I implore you, ladies and gentlemen, to explore these further through discussions and other means in different platforms.

The government is also looking at South Africa's role as co-chair of the DWG as well as its role in the African Union's NEPAD Agency, in consultation with NEPAD and

AU chairpersons as invited guests of the G20 Presidencies, on how to oversee the strengthening of linkages between the African Union and the G20.

On Governance

The African Union is advancing its flagship innovative programme, the African Peer Review Mechanism (APRM), a self-assessment process for good governance. Areas covered by the APRM include the following:

- Democracy and Political Governance,
- Economic Governance and Management,
- Corporate Governance and Socio-economic Development

About 34 African countries are now participating in the APRM. Indications are that the APRM has profoundly changed the perceptions amongst leaders in the continent towards sound governance institutions and ethical leadership that positions Africa as a conducive destination for investment. The APRM covers most of the economic governance areas related to the G20 agenda.

G20 global economic governance actions have assisted in stabilising the global economy and will be instrumental in building the momentum for the long-term sustainable and inclusive economic growth. South Africa has provided impetus in lobbying and arguing for support Africa's governance. Among others, the following progress is being made:

- Transformation of global financial institutions such as the International Monetary Fund (IMF) and Financial Stability Board (FSB) - lobbying for fair representation of South Africa and Africa).
- Guarding against spill-over effects of unconventional monetary policies.
- Assessing the Impact of Base Erosion and Profit Shifting on Least Income Countries (LICs); as well as readiness of LICs to participate in the Automatic Exchange of Information for Tax Purposes. (The Global Forum on Transparency and Exchange of Information for Tax Purposes has launched the "Africa Initiative" – a three year programme of work designed to unlock the potential for transparency and exchange of information for tax purposes across Africa).
- Transformation of the Energy Governance, to improve access to energy as well as representation of developing countries.
- Increasing global anti-corruption efforts through for example the G20 High Level Principles on Corruption and Growth; and G20 High-Level Principles on Beneficial Ownership Transparency.
- Increasing efforts to fight against the spread of Ebola (a communique was issued by the G20 on the commitments of members to fight Ebola).
- Preparing for a multi-year agenda on Food Security.

- Reducing the costs of remittances and intensify efforts to improve financial inclusion.
- Advancing the human resource development agenda in developing countries.
- Trade and competition can be strong drivers of inclusive growth. Africa has a strong challenge to shift from exporting raw materials and the importing of manufactured goods. After the great trade collapse Africa's exports, driven by strong commodity prices, total trade for Africa as % of GDP has grown significantly at 70% in 2014. Africa can further increase this trade by cutting bottlenecks and strengthen industrialisation. This would help the continent gain a stronger foothold in global value chains. The G20 leaders recognised the need for policies that will take full advantage of global value chains and encourage greater participation at higher level of value creation by developing countries.

The NEPAD and APRM working with other key stakeholders in Africa will need to accelerate ability to harness opportunities presented in governance related work of the G20, which is critical to inclusive and sustainable growth in Africa.

On Infrastructure

The African Union through its NEPAD Agency is implementing the Programme for Infrastructure Development in Africa (PIDA), which serves as the overarching framework for infrastructure development in Africa. The aim of the programme is to transform Africa through the development of infrastructure in transport, energy, information and communication technologies, as well as trans-boundary waterways. The PIDA's Priority Action Plan consists of 51 continental and regional projects. President Jacob Zuma is leading a major project within PIDA called Presidential Infrastructure Champions Initiative (PICI). PICI promotes seven critical and major cross border infrastructure projects each championed by an African Head of State in various sectors such as water, energy, transport, and ICT. One such initiative championed by South Africa is the North-South Road and Rail Development Corridor (from Cape to Cairo). These projects are critical towards enhancing regional intra-trade in Africa as well as industrialisation.

Whilst on the other hand the G20 DWG has through the recommendations of the G20 High Level Panel for Infrastructure Investment (which was chaired by Tidjane Thiam of Ivory Coast; and South Africa represented by former Minister of Transport Mac Maharaj) completed in 2013, an assessment of infrastructure project preparation facilities in Africa (work that was replicated in Asia in 2014), conducted through the African Development Bank. The African Union through the NEPAD Agency is refining measures to facilitate private sector investments in identified cross border infrastructure projects out of the resolutions of the "Dakar Summit on Investment in Infrastructure in Africa".

The Brisbane Action Plan has heightened the need to fast track infrastructure investment by both public and private sector, not only by individual members of the G20 through their growth strategies, also by launching a Global Infrastructure Initiative (GII) as well as Global Infrastructure Hub (the Hub). The GII consists of multi-year actions as a long-term initiative of the G20 that will be monitored and coordinated by the Hub initially based in Sydney, Australia. Key to the GII multi-year action plan is the continued implementation of the recommendations of the G20 High Level Panel for Infrastructure Investment, Report on Project Preparation Facilities in Africa and in Asia, as well as the report on Misperception of Risk and Return in Low Income Countries completed in 2012. In this context, the African Development Bank has already, in its annual meeting held in Kigali in May 2014, launched the “Africa50 Initiative” to mobilize over \$100 billion from public and private sources to finance priority regional infrastructure projects on the continent over the next 50 years. The Hub, working with all African stakeholders, should be able to support coordination and facilitation of infrastructure investment in Africa. The NEPAD Agency will continue to play a critical role in coordinating implementation of PIDA working with the HUB and other global institutions.

In conclusion,

As global economic activity is becoming increasingly intertwined, Africa is also deepening its economic ties with the world. The transmission channels through which the effects of global economic development impact African economies are evolving. Thus, the discussions and outcomes of the G20 are of greater significance to the region today than ever before. Finally we need to look at key success factors for effective relationship between the G20 and Africa. In my view they can be summarised as follows:

- Stronger linkages with the G20 is required
- Integration and Coordination within African Regions for effective participation and implementation
- Sustained political leadership
- NEPAD could play a critical role in facilitating all of the above working with South Africa and the G20 Presidencies

South Africa will continue to advocate policies that support the African agenda for inclusive and sustainable growth and effectively deal with alleviation of poverty, unemployment, and inequality.

I thank you.