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G-20 DEVELOPMENT AGENDA AND AFRICAN PRIORITIES: AN UPDATE

CATHERINE GRANT MAKOKERA

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MANAGER Lesley Wentworth, lesley.wentworth@saiia.org.za

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ABSTRACT

The G-20 has come to be seen as one of the world's most important gatherings for the discussion of a range of issues broadly related to global economic governance. While the G-20 is significantly more representative of developing countries' interests than other informal structures (such as the G-7), there is still only one permanent member from Africa – South Africa. This situation belies the relevance of the G-20 agenda and discussions to the economic development goals of the continent. The G-20 considers issues directly linked to Africa's own agenda, as set out by the AU in Agenda 2063, including regional economic integration, domestic resource mobilisation and infrastructure financing. Other G-20 decisions have a more indirect impact on Africa, such as those related to financial regulation, growth targets for the members, and trade.

Five years ago, the Overseas Development Institute (ODI) and SAIIA developed a set of recommendations for ONE – the international campaigning and advocacy organisation – that looked at ways in which the G-20 could respond to the development needs of Africa.[a] This paper revisits the report developed in 2010 for ONE and looks at progress to date in some of the priority areas that were set out in the original research, including infrastructure development, regional integration, participation in the global trading system, and attracting foreign direct investment. A number of these areas have been taken up by the G-20 as part of its ongoing agenda and have resulted in decisions that are relevant for the continent. There is still much that could be done, however, to ensure the synergies are maximised between the work of the G-20 and the development priorities of Africa.

a Draper P *et al.*, 'The G20 and African Development', Overseas Development Institute and South African Institute of International Affairs (SAIIA), 2011, http://www.odi.org/sites/odi.org.uk/files/odi-assets/publications-opinion-files/7088.pdf, accessed 29 August 2015.

ABOUT THE AUTHOR

Catherine Grant Makokera is a Research Associate of the Trade Law Centre of Southern Africa. She served as a diplomat for New Zealand and has worked for business organisations in Southern Africa. She has conducted research on global economic governance, regional integration, trade and state–business relations in Africa.

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ABBREVIATIONS AND ACRONYMS

AfDB	African Development Bank
AUC	AU Commission
DFI	development finance nstitution
DFQF	Duty-Free, Quota-Free
DWG	Development Working Group
ILO	International Labour Organization
IMF	International Monetary Fund
LDC	least developed country
LIC	low-income country
MDB	multilateral development bank
MDG	Millennium Development Goal
NEPAD	New Partnership for Africa's Development
ODI	Overseas Development Institute
OECD	Organisation for Economic Cooperation and Development
PPP	public–private partnership
REC	regional economic community
SME	small and medium-sized enterprise
SWF	sovereign wealth fund
UNCTAD	UN Conference on Trade and Development
UNDP	UN Development Programme
UNECA	UN Economic Commission for Africa
WBG	World Bank Group

INTRODUCTION

The G-20 is the self-proclaimed pre-eminent global forum for the discussion of issues related to global economic governance. It was first established as a platform for engagement between the finance ministers of the world's leading economies but took on a broader agenda in 2008, when the first meeting of G-20 heads of state took place in the US at the invitation of President George W Bush, following discussions between the latter and the French president at the time, Nicholas Sarkozy.[1] There are now two main tracks or streams of issues that are discussed by the members – one more broad-ranging under the guidance of the Sherpas (high-level representatives of G-20 leaders involved in preparatory meetings) and the other focusing on finance-related matters, led by finance ministers and central bank governors of the respective countries.[2] Despite an expanded agenda the G-20 has remained a relatively informal arrangement, with no fixed secretariat or permanent support structure. The chairmanship of the group rotates each year and it is the responsibility of the country in that role to identify priorities, convene meetings and oversee the drafting of statements and other outputs. It is also the chair that decides which countries outside the fixed membership of the G-20 will be invited to participate and the extent of outreach to non-members and stakeholders, including business, labour, civil society, think tanks and youth.

South Africa is the only African country that is a permanent member of the G-20, having been part of the original group of finance ministers. This is not necessarily because of its economic size (as it is now the second-largest economy on the continent and is not among the world's largest) but more as a necessity of geographical representation and a reflection of South Africa's integration into the global economy, especially through financial markets. It has been recognised by members that such limited African representation in the G-20 is not ideal and, as a result, two of the five non-member countries invited to be part of the G20 processes each year are African.[3] This is usually the chair of the AU and a representative of the New Partnership for Africa's Development (NEPAD) Heads of State and Government Orientation Committee. For example, in 2014 Australia invited Mauritania (in its capacity as chair of the AU) and Senegal, representing the NEPAD Heads of State and Government Orientation Committee, to the G-20. In 2015 Zimbabwe and Senegal were invited by Turkey as observers.

The lack of African participation in the G-20 does not mean that the group's agenda is not relevant to the continent and can afford to be ignored. Some issues have been clearly identified as directly applicable to Africa, such as domestic resource mobilisation, infrastructure financing, regional economic integration and aspects of the tax agenda. The list of those areas where there are indirect implications is much longer and could be argued to include almost all of the G-20 discussions to a greater or lesser extent.

1 Geubert JM, 'Plans for the First G20 Leaders Meeting', G20 Information Centre, 2008, http://www.g8.utoronto.ca/g20/g20leadersbook/guebert.html, accessed 29 August 2015.

2 G-20, '2014 G-20 working arrangements', G-20 Policy Note. G-20: Australia, 2014, p. 1.

3 G-20, 'The G-20 and the World', https://g20.org/about-g20/g20-members/g20-world/, accessed 29 August 2015.

In 2010, ONE (the international campaigning and advocacy organisation), the Overseas Development Institute (ODI) and the South African Institute for International Affairs (SAIIA) prepared a paper (published in 2011) that considered in some detail the G-20's growth agenda and how it could be used to support Africa's own priorities for economic growth and development, including developing infrastructure, participating in the global trading system, creating special economic zones and attracting foreign direct investment (FDI).[4] This follow-up paper seeks to update the research done five years ago in order to see what progress has been made in terms of the relations between the G-20 and Africa. It considers recent developments in the establishment of a clear agenda for Africa's prosperity through the adoption of Agenda 2063 by the AU as well as shifts that have taken place in the work of the G-20 on the development agenda in particular. One of the specific recommendations of the paper published in 2011[5] was that Africa should argue for more permanent seats at the G-20, which was further explored in a 2014 SAIIA policy brief.[6] This paper builds on previous work done in 2011 and 2014 and considers two specific issues of interaction between the G-20 and Africa in some detail – regional economic integration (as part of a broader trade policy agenda) and infrastructure financing.

THE AU'S AGENDA 2063

To help in understanding the linkages between the G-20 agenda and Africa's development objectives, it is useful to consider those stated objectives. Africa is not short of official documents, including declarations, statements, treaties and policy frameworks, that set out the aspirations of the continent in a wide range of areas. The most recent of these is the 'vision and action plan' set out in the AU's Agenda 2063.[7] It sets out a 50-year strategy that seeks 'to optimize use of Africa's resources for the benefits of all Africans' through an approach where lessons are learnt from the past and progress is made by building on the work already under way to transform the socio-economic environment of Africa,[8] including NEPAD and other initiatives.

4 Draper P *et al*., *op. cit*.
5 *Ibid*.
6 Nnadozie E & CG Makokera, 'The G-20 and Development: Ensuring Greater African Participation', SAIIA (South African Institute of International Affairs) Policy Briefing, 117. Pretoria: SAIIA, 2011.
7 AU, 'About Agenda 2063', http://agenda2063.au.int/en/about, accessed 29 August 2015.
8 *Ibid*.

Agenda 2063 builds on the eight ideals set out by heads of state and government of the AU in their 50th Anniversary Solemn Declaration.[9] The agenda is particularly timely in light of technological advances, the stronger macro-economic conditions in many African countries, functioning regional institutions in most parts of the continent, and the opportunities presented by high levels of growth, fewer conflicts, a growing middle class and shifts taking place at the global level. The following are the seven pillars of Agenda 2063:[10]

- a prosperous Africa based on inclusive growth and sustainable development;
- an integrated continent, politically united and based on the ideals of pan-Africanism and the vision of Africa's Renaissance;
- an Africa of good governance, democracy, respect for human rights, justice and the rule of law;
- a peaceful and secure Africa;
- an Africa with a strong cultural identity, common heritage, values and ethics;
- an Africa where development is people-driven, unleashing the potential of its women and youth; and
- Africa as a strong, resilient and influential global player and partner.

Much work still needs to be done to flesh out Agenda 2063 and to set up a concrete set of activities that will continue to build on the priority areas identified for the work of the AU and its partner organisations, including the African Development Bank (AfDB) and the UN Economic Commission for Africa (UNECA). Chris Landsberg, in a 2014 post, criticised the initiative as simply an attempt by the chair of the AU Commission, Dr Nkosazana Dlamini-Zuma, to cement 'her reputation as a competent and effective visionary leader' as well as a pan-Africanist.[11] He also notes that there is 'little new and novel' about the ideas set out in Agenda 2063 even though they are 'highly-ambitious, even unrealistic' in his opinion.[12] The key will be to see delivery and implementation, as Agenda 2063 reminds us. Here is where there is a role to play for partners of the African continent, including the G-20 member countries.

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9 The original eight ideals and goals included: 1) commitment to and promotion of the African Identity and Renaissance agenda; 2) recognition of the struggle against colonialism and right to self-determination; 3) commitment to Africa's political, social and economic integration agenda; 4) commitment to social and economic development on the continent; 5) achieving the goal of a conflict-free Africa; 6) commitment to democratic principles; 7) determination to take ownership and drive Africa's destiny; and 8) ensuring Africa's role as a global role-player. AU, '50th Anniversary Solemn Declaration'. Addis Ababa: AU, 2013, http://agenda2063.au.int/en/sites/default/files/50th%20Anniversary%20Solemn%20DECLARATION%20En.pdf, accessed 29 August 2015.

10 *Ibid.*

11 Landsberg C, 'Dr Dlamini-Zuma and the AU's Agenda 2063', Africa-Europe Relations #Post2015, http://www.africa-eu.com/2014/11/zuma-au-agenda-2063.html, accessed 29 August 2015.

12 *Ibid.*

G-20 DEVELOPMENT AGENDA

The focus of the G-20 has traditionally been on financial policy and regulation matters. Arguably, the biggest contribution of the group has been as a 'crisis management' forum, given that it assisted in containing the impact of the global financial crisis that began in 2008.[13] It has, however, been difficult to limit the agenda of the G-20 to finance-related matters since it assumed a much higher profile in 2008 with the inclusion of heads of state summits and the Sherpa track. With the rotation of the chair every year, there is a temptation to add new issues to the G-20 work plan, as the national priorities of the relevant member need to be reflected.[14] Questions have also been raised about the legitimacy of the G-20 and its relationship to non-members, especially low-income countries (LICs) and least developed countries (LDCs) that are not represented at all in the membership.[15]

One of the responses to these challenges was a decision to establish the G-20 Development Working Group (DWG) in 2010.[16] The rationale behind the DWG was set out in the Toronto Commitment on Development:[17]

> Narrowing the development gap and reducing poverty are integral to our broader objective of achieving strong, sustainable and balanced growth and ensuring a more robust and resilient global economy for all. In this regard, we agree to establish a Working Group on Development and mandate it to elaborate, consistent with the G-20's focus on measures to promote economic growth and resilience, a development agenda and multi-year action plans to be adopted at the Seoul Summit.

Beyond enhancing the credibility and legitimacy of the group, some of the other reasons informing the inclusion of development in the G-20 agenda were recognition that if prosperity is to be sustained then it must be shared widely, and that the interconnected nature of the world economy means that no country is excluded from being affected by crises in and decisions about the financial system. In order to support long-term global growth there is a need to look beyond the G-20 countries themselves and encourage the development of new growth poles in the developing countries. The G-20 focus on contributing to stronger economic growth has the potential to complement the work of development partners in driving for the achievement of the Millennium Development Goals (MDGs) and post-2015 development agenda. Kharas explains that the G-20 has the 'political will and economic clout to drive the development agenda forward' and in addition is 'sized to be an action-oriented group that can make decisions and implement policies'.[18]

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13 O'Neill J & A Terzi, 'The Twenty-First Century Needs a Better G20 and a New G7+', Policy Contribution, 2014/13. Brussels: Bruegel, 2014, p. 2.

14 *Ibid*.

15 See for example Subacchi P & S Pickford, 'Legitimacy vs Effectiveness for the G20: A Dynamic Approach to Global Economic Governance', Chatham House Briefing Paper, 2011/01. London: Chatham House, 2011.

16 G-20, 'The G-20 Toronto Summit Declaration: June 26–27, 2010', https://g20.org/wp-content/uploads/2014/12/Toronto_Declaration_eng.pdf, accessed 29 August 2015.

17 *Ibid*., p. 9.

18 Kharas H, 'The G-20's Development Agenda', Brookings Institution Policy Brief. Washington: Brookings Institution, 2011, p. 14.

The G-20 has been cautious in carving out an approach to development that plays to the core interests and strengths of the forum without necessarily encroaching on the activities of other organisations, including the UN and Organisation for Economic Cooperation and Development (OECD) Development Assistance Committee. The core approach is framed around a number of key principles that include the following aims of the G-20 DWG:[19]

- Consistent with the G-20 Framework for Strong, Sustainable and Balanced Growth, inclusive sustainable and resilient growth is crucial to reduce poverty.
- There is not a single formula for success, therefore we engage with developing countries as partners.
- We must prioritise global and regional systemic issues that call for collective action, including South–South and triangular cooperation.
- We recognise the role of the private sector in economic development and job creation, and will support actions to improve the investment environment.
- We aim to add value and not duplicate existing efforts.
- We will focus on tangible outcomes that remove blockages to growth, especially in LICs.

Initially it was agreed that there would be nine pillars on the DWG agenda, as detailed in the Seoul Declaration and Multi-Year Action Plan.[20] These included the following activities:

- Investment in infrastructure, especially in LICs and for developing regions:
  - Infrastructure action plans to be developed by the World Bank Group (WBG) and regional development banks to include needs assessments; review of internal practices; identification of improvements needed in domestic climates for infrastructure; and required regional integration measures.
  - Establishment of the G-20 High level Panel for Infrastructure to advise the G-20 on how the multilateral development banks (MDBs) could improve support for infrastructure investment in developing countries and regions.
- Human resource development:
  - Create and disseminate internationally comparable skills indicators in co-operation with the WBG, the International Labour Organization (ILO), the OECD and the UN Economic and Social Council.
  - Review and enhance national employable skills strategies.
- Enhance trade capacity and access to markets:
  - Enhance access through work towards duty-free and quota-free (DFQF) access for LDCs.
  - Maintain Aid for Trade levels of support, and step up MDB capacity to support trade facilitation.

19 G-20 Seoul 2010, Annex 1: Seoul Development Consensus for Shared Growth, https://g20.org/wp-content/uploads/2014/12/Annex%201%20Seoul%20Development%20Consensus%20for%20Shared%20Growth.pdf, accessed 29 August 2015.

20 G-20 Seoul 2010, 'Annex 2: Multi-Year Action Plan on Development', http://www.g20dwg.org/documents/pdf/download/323/, accessed 29 August 2015.

  - The AfDB, with the WTO and other MDBs, to review obstacles and barriers to regional trade integration in Africa.
- Private investment and job creation:
  - The UN Conference on Trade and Development, UN Development Programme (UNDP), ILO, OECD and WBG to review and develop indicators to help countries identify the best investment projects.
  - Showcase small and medium-sized enterprises (SMEs) addressing social challenges and identify policy options to support their development.
  - Strengthen financial markets to support investment, including into SMEs.
- Food Security:
  - The Food and Agriculture Organization and WBG to develop recommendations to enhance agricultural productivity through improved policy coherence and co-ordination.
  - Monitor progress on existing food security commitments (including the G-8 L'Aquila Food Security Initiative).
  - Mitigate food and agriculture price volatility through consideration of options; increase procurement from smallholders; and support for the Principles of Responsible Agriculture.
- Growth with resilience:
  - Support developing countries to strengthen and enhance their social protection programmes.
  - Facilitate the flow of international remittances.
- Financial inclusion:
  - Establish the Global Partnership for Financial Inclusion combining the initiatives of several agencies.
  - Establish a framework for financial inclusion for SMEs.
  - Implement the action plan for financial inclusion.
- Domestic resource mobilisation:
  - Support the development of more effective tax systems in developing countries led by the OECD task force and other agencies.
  - Support work to prevent erosion of domestic tax revenues (including issue of non-co-operative jurisdictions).
- Knowledge sharing:
  - The UNDP and other agencies to propose how to enhance South–South, North–South and triangular co-operation on knowledge sharing.

Following its establishment and the Seoul Development Consensus and Multi-Year Action Plan in 2010, the agenda of the G-20 DWG has been shaped and refined under the guidance of respective presidencies. Each year there has been some continuation of the work of the DWG in key areas, but the emphasis has differed in line with the priorities of the country holding the rotating leadership of the G-20. Table 1 sets out a summary of the development priorities and outcomes from each of the G-20 summits since Seoul.

TABLE 1 G-20 DEVELOPMENT PRIORITIES AND KEY OUTCOMES

G-20 presidency and date	Priority issues	Key outcomes
France Cannes Summit November 2011	• Food security • Infrastructure	• 1st G-20 Ministerial Meeting on Development • MDBs Action Plan • High Level Panel on Infrastructure Investment • Bill Gates's input on alternative sources of development financing • Launch of the Agricultural Market Information System
Mexico Los Cabos Summit November 2012	• Food security • Infrastructure • Inclusive green growth	• Trade ministers meeting • Outreach to civil society and private sector • Ongoing interactions with other international organisations active on development, eg, Commonwealth Secretariat, Organisation Internationale de la Francophonie • Social Protection Inter-Agency Cooperation Board • Global Partnership for Financial Inclusion
Russia St Petersburg Summit November 2013	• Food security • Infrastructure • Financial inclusion • Human resource development	• Initiated assessment and accountability process • DWG Accountability Report 2013 found that out of 67 commitments, 33 were complete, 33 ongoing and one had stalled • Ongoing outreach to non-members and civil society
Australia Brisbane Summit November 2014	• Policy coherence between DWG work and related G-20 work on taxation, investment in infrastructure, anti-corruption, employment, energy and trade	• G-20 Financial Inclusion Action Plan • G-20 Plan to Facilitate Remittance Flows • G-20 Food Security and Nutrition Framework • Agreed criteria in order to frame new commitments and reassess and address commitments identified as stalled or as having made mixed progress • G-20 Development Commitments Monitor indicate of the 45 commitments, 33 were completed, 10 were on track and two commitments were redirected
Turkey Antalya Summit November 2015	• Focus on taking forward the DWG agenda (domestic resource mobilisation, financial inclusion and remittances, food security and nutrition, human resource development and infrastructure), aiming to ensure greater relevance to countries not part of the group, in particular low income developing countries. Agenda is summarised as focusing on inclusiveness, implementation and investment (three I's) • Turkish presidency introduced new work stream on 'inclusive business'	• An inaugural Caribbean Region Dialogue with the G20 DWG was held – key focus on Blue Economy and strengthening domestic resource mobilisation

Source: Author's own research based on G-20 Declarations and Priority Plans

Following the first three years of the implementation of the Seoul Multi-Year Action Plan by the G-20 DWG, the focus turned to tracking results and identifying new actions for the development agenda. An accountability process was established during the Russian presidency and further refined in 2014 under the leadership of Australia. This included the rationalisation of the DWG priorities to five areas – infrastructure, domestic resource mobilisation, financial inclusion and remittances, food security and nutrition, and human resource development – with the understanding that there was a need for flexibility in order to be able to respond to new circumstances, including the post-2015 development agenda. The first comprehensive accountability report of the DWG was prepared in 2013 and will be done every three years, together with annual progress reports.

In the G-20 DWG Accountability Framework of September 2014, a set of criteria was set out to guide the future expansion of the development agenda and to assist in reassessing and addressing commitments identified as stalled or as having made mixed progress. These are:[21]

- Is the commitment consistent with the G-20 development principles agreed in Seoul in 2010?
- Does the commitment advance the mandate and objectives of the G-20?
- Does the commitment draw on the G-20's comparative advantage?
- Are there other organisations or forums that are better placed than the G-20 to address this issue and/or to undertake the proposed action?
- Are there any constraints that will limit the potential of this commitment to result in substantial net benefits for non-G-20 developing countries?
- Does the commitment include a defined outcome or end date against which progress can be measured, even if ongoing action is required by others?

Beyond the specific agenda of the G-20 DWG, there is a sense that development has been more 'mainstreamed' into the broader work of the group. A detailed analysis of the agenda of the G-20[22] has shown that many issues are being discussed that are relevant to developing countries (in particular African countries) in both the Sherpa and finance tracks. As shown in Table 1, a number of areas of work that began as part of the agenda of the DWG have been taken up as part of the broader agenda of the G-20 (tax reform, for example) as well as by stand-alone initiatives, such as financial inclusion. The following sections consider this broader agenda in analysing the interactions between the G-20 and Africa.

G-20 AND AFRICA

African concerns with the G-20 can be broadly grouped into three areas – structure and representation; substantive focus; and performance. The first issue is dealt with in the recent SAIIA policy brief, which considers ways in which Africa can enhance its

21 G-20 Australia 2014, 'G-20 Development Working Group Accountability Framework', https://g20.org/wp-content/uploads/2014/12/g20_development_working_group_accountability_framework.pdf, accessed 29 August 2015.

22 Bradlow D, 'The G-20 and Africa: A Critical Assessment', Occasional Paper, 145. Johannesburg: SAIIA, 2013.

interactions with the G-20.[23] With respect to the other two areas, there is significant overlap between the focus of the G-20 and the African priorities as described above. Africa is of substantial interest to the G-20 as an increasingly important pole of global growth. That does not mean, however, that the G-20 commitments necessarily reflect all of Africa's priorities, with the notable example being the transformation agenda of the continent aimed at increasing productivity and industrialisation. It is important to have realistic expectations of the G-20's contribution to Africa's development. Especially with the new agenda priorities introduced each year, the G-20 struggles with achieving full implementation of its commitments and the real impact of its activities on the lives of Africans is questionable. Even so, the group appears to be here to stay (at least while it retains relevance) and therefore it warrants greater attention from Africa.

After consideration of the links between the G-20's core policies and their effects on Africa, the ODI and SAIIA research in 2010 concluded that G-20 actions positively affect African growth prospects.[24] Moreover, Africa can play an important role in global rebalancing, for example by promoting capital flows from surplus countries to profitable opportunities in sustainable infrastructure and climate finance opportunities. While it could be argued that all of the G-20 agenda is of interest to Africa, there are clear priorities and areas where the linkages are more direct. Table 2 summarises the main links between G-20 core policy areas, the development agenda and African interests. It has been updated from *The G-20 and African Development* paper to take account of shifts over the last five years.[25]

TABLE 2 CORE G-20 POLICIES, DEVELOPMENT AGENDA AND AFRICAN GROWTH

Core G-20 policy	African interests in G-20
Financial regulation	Stricter rules on lending could negatively affect African access to much needed capital
Trade	Africa benefits from a strong multilateral trading system, including the WTO
Financial safety nets	Support countries hit by financial crises
Transparency in natural resource revenue	More transparency could increase the amount of tax paid to African countries
Tax reform, including base erosion and profit shifting	
Inclusive growth	Ensuring multi-tiered development throughout African economies
Job creation	Ensuring sustainable growth and ultimately poverty reduction
Reform of international financial institutions	Africa is under-represented in the International Monetary Fund (IMF)
Sustainable debt	Some African countries run the risk of becoming increasingly indebted

23 Nnadozie E & CG Makokera, *op. cit*.

24 Draper P *et al*., *op. cit*.

25 *Ibid*.

G-20 Development Agenda	African interests in G-20
Infrastructure	Leverage financing available from G-20 investors, members and development finance institutions (DFIs)
Food security	Improve agricultural productivity
Financial inclusion	Increase access to banking services and credit
Domestic resource mobilisation	Enhance tax collection administrative capacity in developing countries
Remittances	Reduce the cost of transmitting remittances
Knowledge sharing	Learn lessons on economic development and growth through regional level platforms
Human resource development	Greater attention to developing practical and vocational training programmes

Source: Author's own research based on G-20 Declarations and other G-20 documents

The South African priorities on the G-20 agenda also provide some indication of issues that are relevant for Africa and largely reinforce those listed in Table 2. They include infrastructure investment, tax and domestic resource mobilisation, sustainable development financing, and reform of global financial institutions. South Africa has been active as a leading G-20 member in a number of these areas, including co-chairing the DWG, the Working Group on IMF Reform, and arranging more informal interactions (such as on sustainable debt levels with France).

Africa and the G-20 DWG

The G-20 DWG has been co-chaired by South Africa since its establishment in 2010. This is an acknowledgment of the role that South Africa plays in the group as the only African member and its active engagement in other global development debates such as on the MDGs and aid effectiveness. Within the South African administration, a number of government departments actively participate in the G-20 DWG discussions, including the Presidency, the Department of International Relations and Cooperation, and the National Treasury. The broad range of issues on the agenda, and the co-chairing responsibilities, require the dedication of considerable resources by South Africa but there has been a demonstration of sustained and continued commitment to the development work of the G-20.

Under each of the presidencies of the G-20 since 2010 there has been some outreach to non-member African states. This has included engagements in the margins of AU summits; participation of the AfDB and UNECA in DWG workshops and research projects; and invitations to the chairs of the AU and NEPAD to attend G-20 summits and preparatory meetings, including of the DWG. There have also been regional consultations (including in Africa) on specific G-20 issues, such as tax reform. The reality, however, is that the voice of Africa in the DWG is represented by South Africa, which has the unenviable task of trying to balance continental with national interests.

At a general level, the DWG presents an opportunity for Africa to encourage greater policy coherence among its development partners. The G-20 is one of the few global groups that facilitate discussion between traditional donors and emerging economies. The knowledge-sharing aspects of the DWG's agenda, for example, provide space to deepen understanding of the various development activities of G-20 members and highlight differences in approach that might have an impact on African beneficiaries. Through the involvement of the private sector as well as researchers and think tanks there is even more value to be had in the linkages provided by the DWG.

A critical development in the relationship between the G-20 and non-member countries has been the establishment of an accountability mechanism that tracks the commitments of the DWG and their implementation. Through this process it is possible to keep track of the evolving priorities of the DWG and to identify any gaps. To help focus their interactions with the G-20, African countries could use the higher level of transparency in the work of the DWG. For example, it is currently possible for the AU and NEPAD chairs to participate in the DWG meetings at the invitation of the G-20 president, as was the case in 2014 with the invitation of Mauritania (AU representative) and Senegal (NEPAD representative), but this has not happened to date. The annual progress reports are a useful starting point for these rotating representatives to become familiar with the DWG agenda and keep them informed on what has been done in the past and what is still under consideration.

G-20 and African Regional Economic Integration

The earlier research by the ODI and SAIIA on the G-20 and Africa included a number of recommendations on how the group could support the continental priorities of regional integration and increasing intra-African trade.[26] These are clear themes that run through the development plans for the continent, such as Agenda 2063 and the Action Plan for Boosting Intra-African Trade.[27] There is no specific G-20 agenda on regional economic integration and even the discussions on trade policy have largely been limited to support for the WTO (the notable exception being the discussions on global value chains during the Mexican presidency in 2012). It was specifically recommended by the ODI and SAIIA that:[28]

- The G-20 should promote a review of intra-regional trade barriers in Africa. The G-20 was encouraged to liaise with the regional economic communities (RECs) in Africa and assist them in identifying and removing intra-regional trade barriers such as non-tariff barriers.
- The G-20 should support measures to increase intra-African trade, not just focusing infrastructure investment around extractive industries that largely support exports to developed countries and Asia.

26 *Ibid*.

27 AU, 'Action Plan for Boosting Intra-African Trade'. Addis Ababa: AU, 2012.

28 Draper P *et al*., op cit.

- The G-20 should consider including new suggestions on rules of origin in preference schemes to make schemes such as DFQF more useful, and take into account specifics on services trade, such as temporary migration.

There was some recognition of these ideas in the 2011 report of the DWG. G-20 members acknowledged that simplified rules of origin would provide significant benefits to LDCs.[29] Support was given for the regional integration agenda of Africa and it was recommended that the G-20 support:

- technical and financial assistance to African countries and to RECs to strengthen their capacity;
- measures to foster trade, including trade facilitation;
- the AU Minimum Integration Plan to support African efforts to rationalise RECs;
- Aid for Trade for Africa, including enhanced financing of regional infrastructure by MDBs; and
- the development of regional trade corridors that will support improved regional trade infrastructures, regional trade facilitation and expanded intra-regional trade.

This was the last time that such an explicit and detailed statement was made by the DWG on African integration objectives. These recommendations were not reported on in the first Accountability Report of the G-20 DWG and they do not seem to have been actively taken up in the ongoing agenda of the DWG. This is despite the strong commitment at the African level to pursuing integration through the RECs, the Tripartite Free Trade Area and, most recently, the Continental Free Trade Area. Many G-20 member states are also supporters of the integration efforts on the continent, either as development partners or investors.

In 2011 the DWG opened the door for a region-specific focus on Africa's regional economic integration needs and indicated a willingness to respond to the clear priorities set by the AU in this regard. Unfortunately momentum was lost in pursuing this discussion and fully using the convening power of the G-20 DWG to encourage more co-ordinated support from Africa's partners.

African Infrastructure and the G-20[30]

Infrastructure is one issue on the G-20 agenda where there is an obvious and direct overlap with the development priorities of Africa. Infrastructure is a key element in sustainable development, unlocking productive sectors of economies, increasing trade and ensuring greater access for land-locked countries, among others. Many African countries still possess poor infrastructure, which hampers their growth and ability to trade, further

29 G20 France 2011, *2011 Report of the Development Working Group*, http://www.mofa.go.jp/policy/economy/g20_summit/2011/pdfs/annex01.pdf, accessed 29 August 2015.

30 This section draws on a short piece prepared by the author and Chijioke Oji for the Lowy Institute Think-20 in 2013, see Oji C & CG Makokera, 'Financing for Investment in Africa: a Role for the G20', Lowy Institute Policy Brief. Sydney: Lowy Institute, 2014.

marginalising them in the global economy. This was recognised in the ODI and SAIIA research in 2010 where extensive recommendations for the G-20 were included as follows (based on the status quo at that time):

- Consider looking at the financing of infrastructure in more detail. The G-20 could eliminate inefficiencies in the financing of infrastructure projects to free up significant resources that would reduce the need for additional funding in the short term. Initiatives such as the African Financing Partnership could be supported.
- Give greater support to infrastructure to promote new technologies and network services (which, according to our analysis, has not received much overseas development assistance in the past few years).
- Ensure the ongoing maintenance of existing infrastructure, rather than just being involved in high-profile, large infrastructure projects that support regional economic integration.
- Reflect on the type of infrastructure needed for the services sector and the uptake of newer technologies, such as mobile telecommunications.
- Enable DFIs to step up activities in African infrastructure, especially regional infrastructure, with an eye to leveraging outward FDI and sovereign wealth funds (SWFs).
- Leverage G-20 FDI and SWFs (especially G-20 emerging market economies multinationals) for sustainable infrastructure.
- Ensure DFIs have the right instruments to support infrastructure (blending, International Bank for Reconstruction and Development increases).
- Initiate a high-level panel for sustainable infrastructure in Africa to identify financing constraints and monitor implementation of G-20 commitments.

In June 2012 at Los Cabos, G-20 leaders agreed to 'strengthen efforts to create a more conducive environment for development, including infrastructure investment'.[31] Infrastructure investment has been a major focus for the development of Africa as is elaborated by the AU in its Programme for Infrastructure Development in Africa. This is a priority action plan highlighting a number of regional infrastructure projects that was endorsed by African heads of state in 2012.[32] Considering Africa's rapid population growth, finance for investment in infrastructure has mostly been channelled to the electricity and information and communications technology sectors to date. There are still massive needs on the continent in these areas as well as in transport and water, to name just a few. The process of financing infrastructure development presents a wide array of multi-layered challenges for African countries, which are worth consideration in the G-20 context, especially if the forum is to make a contribution to sustainable growth and job creation in Africa.

31 G-20 Russia, 'G-20: Its Role and Legacy', 2012, http://en.g20russia.ru/docs/about/part_G20.html, accessed 29 August 2015.

32 NEPAD, 'African Leaders Endorse Major Continental Infrastructure Programme', 2012, http://www.nepad.org/regionalintegrationandinfrastructure/news/2610/african-leaders-endorse-major-continental-infrastruct, accessed 29 August 2015.

There is no doubt that the G-20 has made some progress in its discussions on infrastructure financing over the last five years, with potentially positive implications for Africa. Table 3 lists some of the key activities of the G-20 DWG, the G-20 Investment and Infrastructure Working Group and other structures on infrastructure.

TABLE 3	KEY ACTIVITIES OF G-20 STRUCTURES ON INFRASTRUCTURE
2010	Review of internal processes of MDBs commenced, with annual reports submitted on progress in the years to follow.
2010	Work commenced on the development of transparency initiatives related to construction, infrastructure and procurement. The process resulted in the Construction Industry Transparency Initiative and a World Bank initiative to benchmark public procurement.
2011	Infrastructure Consortium for Africa opened its membership.
2011	Global Infrastructure Benchmarking Initiative established by the MDBs.
2012	Review of Project Preparation Facilities made available, including identifying opportunities for transformational regional projects in Africa.
2012	Report published on the misperception of risk in LICs
2014	Global Infrastructure Hub established to support the Global Infrastructure Initiative for a four-year initial mandate. The aim is to develop a knowledge-sharing platform to foster collaboration to improve the functioning and financing of infrastructure markets.
2014	G-20 welcomed the launch of the World Bank's Global Infrastructure Facility to build a pipeline of global infrastructure investments.

Source: Author's own research based on G-20 Declarations and other G-20 documents

Financing infrastructure projects in Africa would help to unlock the economic potential of the continent and make a contribution to a number of the overarching objectives of the G-20. The challenges for financing infrastructure are the structuring and design of projects and undertaking viable processes by which funds for project development can be raised. This requires mastery of the options available for financing, taking into consideration the specific nature of differing infrastructure projects. In addition to promoting new options for financing for investment, the G-20 is well placed to encourage greater linkages between the public and private sector in this regard.

Apart from the current state of the financial markets in most sub-Saharan African countries (where domestic capital markets often do not exist), finance for investment in infrastructure is hampered by a number of factors relating to the size, complexity and viability of projects.

First, many of these projects are costly to prepare and develop and governments are reluctant to fund activities related to the planning, identification, design and development of infrastructure projects, most notably in the case of cross-border projects. In an attempt to address this challenge, some development partners such as the World Bank have provided funding to create such bankable projects.[33] There are ongoing challenges of project preparation and planning to ensure that the result is a bankable proposal of interest to investors. Dialogue between G-20 and development partners could assist in accelerating such activities.

Second, the regional aspect of development in Africa is difficult to factor into traditional financing arrangements and is often given very little weight in negotiations.

Third, there is a need to accompany physical infrastructure development in Africa with the necessary 'soft' elements, such as upskilling labour, regulatory adaptation, and streamlining administrative requirements.

The AU has identified regional transformational infrastructure projects as a key factor in increasing the economic competitiveness of Africa. However, a major challenge exists in the form of the lack of leadership or ownership of projects located outside countries that ought to benefit from the projects. This affects the pace at which the project is developed, slowing down the realisation of projected benefits. This in turn poses a number of challenges regarding financing for investment as investors require high levels of certainty (such as sovereign guarantees) before committing funds to project development.

It is necessary for African countries to consider alternative methods by which infrastructure projects can be financed, especially where they are cross-border.[34] Here the financing for investment discussions in the G-20 could make a real contribution, through the sharing of experiences of different regions in the world and encouraging a greater understanding of the particular challenges facing Africa.

Focusing particularly on specific attributes of infrastructure projects, a range of alternatives by which the governments of African countries and project sponsors can raise finance for investment could be explored further in the G-20 discussions. In the first instance, the creation of sustainable local capital markets in Africa is critical. These will require not only financial resources but also skilled local talent that is able to manage complex financing arrangements.

33 World Bank, 'Project Appraisal Document: Southern African Power Pool (SAPP) – Program for Accelerating Transformational Energy Projects'. Washington: World Bank, 2014.

34 Kharas H, *op. cit.*, p. 16.

TABLE 4 INFRASTRUCTURE FINANCING OPTIONS

Instrument	Advantages	Disadvantages
Bonds	Bond issues can be advantageous based on the size of the bond, which is normally larger than bank loans and thus provides a substantially larger amount of capital. **Bond finance**: Some African countries are already using specifically targeted bonds, such as infrastructure or diaspora bonds, with potential for broader application.	In the event that the governments of African countries decide to sell bonds, issues relating to interest rates and maturities should, however, be considered carefully as bonds are generally considered to be less flexible than bank loans and the creditworthiness of governments is tied to regularly scheduled repayments.
Public-private partnerships (PPPs)	African governments are increasingly adopting PPPs as a viable mechanism for funding infrastructure projects. The benefits of PPPs for Africa include shorter delivery timeframes for projects for the public sector and project risks tend to be more manageable due to expertise from the private sector. They have the capacity to deliver value for money on projects if well structured.	PPPs are highly complex policy instruments that require advanced capacity within the public sector to both negotiate and manage.
SWFs	Currently only a few African countries have established SWFs aimed at investing revenue raised from natural resources in areas such as infrastructure development. The option of operating a SWF has so far been reserved for the oil-rich nations on the continent such as Nigeria, Angola and, in the near future, Tanzania. SWFs can help to boost domestic growth when earnings from the funds are invested in infrastructure development. If properly managed, SWFs can also affect credit ratings of African countries positively.[35]	SWFs require robust governance structures and transparent operations if they are to be beneficial for development.
Pension funds	For African countries, pension funds can serve as a source of revenue for infrastructure projects that require long-term investments. For example, in 2012, the Government Employees Pension Fund in South Africa invested ZAR 1 billion ($61.9 million) in the green bond issued by the Industrial Development Corporation to finance the development of several renewable energy projects across the country.[36]	In general pension funds are largely conservative and target low-risk investments in accordance with the mandate to provide security and flexibility to its clients (large numbers of retirees). The G-20 could explore ways to mitigate risks around infrastructure projects that would increase the attractiveness to pension funds, such as the use of government guarantees.

Source: Author's own research

35 Whitehead E, 'Rise of the African Sovereign Wealth Fund', *This Is Africa*, 2012, http://www.thisisafricaonline.com/Policy/Rise-of-the-African-sovereign-wealth-fund?ct=true, accessed 29 August 2015.

36 Paton C, 'Pension fund invests 1bn in IDC 'green bond', *Business Day*, 2012, http://www.bdlive.co.za/articles/2012/04/04/pension-fund-invests-r1bn-in-idc-green-bond;jsessionid=40344CA83BE30AD0C9AC880D1D3EBC76.present1.bdfm, accessed 29 August 2015; Wentworth L, 'Financing of Infrastructure', PERISA Case Study 2 (Infrastructure) August 2013, http://www.thetradebeat.com/book/political-economy-of-regional-integration-in-africa, accessed 14 January 2016.

CONCLUSION

There is potential for the G-20 to assist Africa in achieving its development objectives, including those set out in Agenda 2063.[38] Most G-20 members are significant investors and development partners for the continent. The G-20 development agenda provides an opportunity to enhance the co-ordination of its members engaged in Africa and to strengthen policy coherence in a range of areas that are critical to progress of the continent. The DWG has demonstrated a strong interest in the particular needs of Africa and a willingness to respond, particularly in 2011, when it gave specific consideration to the regional economic integration of the continent.

38 AU, *Agenda 2063: The Africa We Want* (Popular version, 2nd ed.), 2014, http://agenda2063.au.int/en/documents/agenda-2063-africa-we-want-popular-version-2nd-edition, accessed 29 August 2015.

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Jan Smuts House, East Campus, University of the Witwatersrand
PO Box 31596, Braamfontein 2017, Johannesburg, South Africa
Tel +27 (0)11 339–2021 • Fax +27 (0)11 339–2154
www.saiia.org.za • info@saiia.org.za