



THE G20 AND AFRICA: CAN AN ASIAN TIGER HELP THE AFRICAN LIONS ROAR?

Introduction

The G20 has recognised that supporting the development of low income countries, a majority of which are in Africa, is essential to promote their objective of 'global, balanced growth'. The Toronto G20 Summit in June affirmed the importance of achieving the Millennium Development Goals and set up Working Groups on Development and Anti-Corruption. The G20 has also collectively made a number of development related commitments, including the L'Aquila Initiative on food security, action on non-transparent financial centres, and a Small and Medium Enterprises (SME) Finance Challenge. However the donor members of the G20 must also reaffirm their commitments to help developing countries meet the MDGs.

The G20 should improve on the G8's record of monitoring progress on the promises they made And the G20 forum must not get used as an excuse for the G8 nations to shirk their long standing development commitments. ONE is looking to the Seoul Summit for firm G20 actions on promoting development that conform to the "TRACK Principles" of aid: **T**ransparent, **R**esults-oriented, clear about the degree of **A**dditionality for any financial commitments, clear about the degree of **C**onditionality, and monitored to ensure the promises are being **K**ept. There should be a commitment to report on progress during the French G20 presidency.

This briefing covers: the impact of the G20's core agenda on African development; actions to promote inclusive growth; actions to combat corruption; actions to deliver and expand on the L'Aquila agriculture and food security promises; and actions on African representation at the G20.

If the South Korean G20 agrees to these recommendations, it will mark a shift towards a more dynamic and inclusive growth model which builds on the success of the smarter aid partnerships of recent years by investing in sustainable, well-governed growth. The strategy embodied in the Seoul Consensus could be an exciting moment of synthesis. South Korea benefited tremendously from effective aid and committed development partners which complemented its own unique development strategy. Today South Korea is living proof that it is possible to make poverty history, but also that there is no single path from poverty to prosperity.

Impact of G20 core agenda on African Development

Some of the core actions that the G20 have agreed in response to the financial crisis will affect African growth prospects. The chart below highlights what these could be and therefore the importance of the G20 considering the development dimension as part of their ongoing policy discussions:

	G20 polices	Effects of G20 actions on Africa
Fiscal stimulus	Fiscal consolidation	Undoing G20 stimulus packages could reduce African GDP by 2.5% ¹

¹ Barrell, R., Holland, D. and te Velde, D.W. (2009) 'A Fiscal Stimulus to Address the Effects of the Global Financial Crisis on Sub-Saharan Africa'. NIESR/ODI report for One.

	G20 polices	Effects of G20 actions on Africa
Trade rebalancing	More Chinese imports, fewer US imports	Demand for African raw materials may increase more than for processed goods
Flexible exchange rates	A Chinese renminbi appreciation of 10%	African GDP could gain 0.25% ²
Financial regulation	Stricter capital adequacy ratios	Lower lending owing to higher capital requirements could lower African GDP by around 1.5% ³
Trade	Doha Round conclusion	A modelling study suggests Africa would gain from a WTO Doha Agreement by around 0.1% of global GDP ⁴
Climate finance	Provide finance, technology transfer and reduce emissions in G20	A modelling study suggests a possible Copenhagen deal (including technology transfer, climate finance and cuts in emission) could improve African incomes by 6% ⁵ More climate finance to low-income countries could also help rebalance the global economy
Financial safety nets	Support a financial safety net	Support countries vulnerable to shocks
Transparency in natural resource revenues	Promote codes of conduct in G20 companies in Africa	More transparency on how companies pay taxes in Africa will allow governments to be held to account, reducing corruption

Actions to promote inclusive growth in Africa

The G20 now has, through the Development Working Group, the opportunity to consider policies that could promote inclusive growth in Africa. Sustainable, inclusive growth requires private sector investment in skills and infrastructure. Functioning markets and job creation along with good governance are the engines of growth and self sufficiency that will lead to an escape from poverty.

Possible G20 actions as part of the G20's development agenda pillars⁶

Growth Area	Examples of policy issues	Possible G20 actions	How can actions be initiated?
Infrastructure	Finance and incentives for regional infrastructure development	<ul style="list-style-type: none"> Provide support for Africa's own regional integration plans, developed by NEPAD⁷, the African Development Bank and other regional economic institutions Incentivise private and public finance, including emerging 	<ul style="list-style-type: none"> Initiate an Africa Infrastructure Forum involving African institutions, traditional donors, the private sector and SWFs that builds on the Investment Consortium for Africa to: 1) identify financing constraints, 2) identify possibilities for

² Op cit

³ Brahmhatt, M. and Canuto, O. (2010) 'Natural Resources and Development Strategy after the Crisis.' Economic Premise Number 1 Washington, DC: World Bank.

⁴ Anderson, K., Anderson, W., Martin, W. and van der Mensbrugge, D. (2006) 'Global Impacts of the Doha Scenarios on Poverty.' In Hertel, T. and Winters, A. (2006) *Poverty and the WTO*. Basingstoke: Palgrave Macmillan.

⁵ Cantore et al (2009) Climate negotiations and development: how can low-income countries gain from a Climate Negotiation Framework Agreement? ODI Working Papers 312, November 2009

⁶ This table is derived from research conducted by ODI and the South African Institute for International Affairs for ONE.

⁷ New Partnership for African Development

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		<p>economies Sovereign Wealth Funds (SWFs) to invest in regional infrastructure projects, to help overcome high initial risks</p> <ul style="list-style-type: none"> • Ensure institutions providing development finance have the right instruments to support infrastructure (e.g. blending and increased International Bank for Reconstruction and Development (IBRD) resources) 	<p>regional infrastructure investment, and 3) publically monitor implementation of G20 commitments on infrastructure and their impacts on inclusive growth</p>
Private investment and job creation	Promoting Foreign Direct Investment (FDI) through streamlining Doing Business indicators	<ul style="list-style-type: none"> • Leverage G20 FDI to support an Invest in Africa Initiative • Learn from the experience of special economic zones to streamline administrative procedures and promote appropriate complementary policies for FDI 	<ul style="list-style-type: none"> • Recognise and enforce the wider application of principles and standards (eg Doing Business) to be respected by foreign investors • Support the development of legally enforced regulatory frameworks which will reduce risk for foreign and domestic investors • Initiate an ‘Innovation for Inclusive Business Forum’ which will provide a platform to facilitate exchanges between stakeholders on inclusive business investments and barriers to work • Offer official concessional finance (e.g. through emerging economies Sovereign Wealth funds for FDI in LICs)
Human resource development	Promote employment-relevant skills (matching efforts on demand and supply sides of the labour market) and youth –focussed transformative entrepreneurship training (to small and medium enterprises (SMEs)) and innovative business ideas	<ul style="list-style-type: none"> • Target skills development through enterprise-level training and interaction between foreign firms (transnational corporation affiliates) and public/private training institutions • A more balanced approach towards skills development with more attention to technical and vocational education and training 	<ul style="list-style-type: none"> • Support ‘skills needs assessments’ in LICs involving governments, businesses, labour and experts to identify skills and training programmes. This could be co-ordinated through the ILO and G20 countries could share their knowledge of best practice for skills development
Trade	Improved market	<ul style="list-style-type: none"> • Promote regional integration 	<ul style="list-style-type: none"> • All G20 countries should offer

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	access, regional market integration and capacity to trade	and take stock of existing G20 programmes for Africa	<p>duty and quota free market access to all LICs, with simplified harmonized rules of origin</p> <ul style="list-style-type: none"> • Support regional integration by providing more Aid for Trade at the regional level and share best practice • Increase G20 countries private sector engagement with Aid for Trade
Financial inclusion	Financial Inclusion Experts Group (FIEG); remittances	<ul style="list-style-type: none"> • Ensure small firms in Africa have access to finance • Facilitate expansion of mobile phone banking 	<ul style="list-style-type: none"> • The G20 Small and Medium Enterprise Challenge initiative should be expanded into an SME investment fund supported by private investors. • Collaborate with poverty focused groups to help ensure the poorest can access finance, for example through support for expanded telephone banking networks.
Growth with resilience	Risk-mitigating instruments and shock absorbers	<ul style="list-style-type: none"> • Raise capabilities to deal with shocks and improve shock absorber facilities • Encourage investment in green growth in Africa which possesses considerable potential in renewables and for green economic development 	<ul style="list-style-type: none"> • Establish an Economic Growth Council with a mandate to look at how to decrease the extent and length of depressions in emerging economies from the economic cycle • Establish Green Growth windows in multilateral development banks
Food security	Food price stability policies and agricultural productivity programmes	<ul style="list-style-type: none"> • Promote agricultural productivity and agricultural research • Encourage private sector investment in agriculture 	<ul style="list-style-type: none"> • Make clear, and reliable, promises to increase and sustain support to the consortium of <i>Consultative Group on International Agricultural Research</i> (CGIAR) centres, and the Global Agriculture and the Food Security Program (GAFSP), to ensure predictable financing for agriculture development in low income countries and also make sure that research and programmes can be sustained and developed • Establish a Private Sector Agriculture Council mandated to assess constraints to private sector investment and develop

Growth Area	Examples of policy issues	Possible G20 actions	How can actions be initiated?
			recommendations for increasing private capital and innovations in the agricultural sector before the Paris 2011 summit
Governance	Regulatory reform, anti-corruption and a deepening of the existing tax base	<ul style="list-style-type: none"> • C10 coverage of domestic resource mobilisation • G20 has a key role to play in enhancing tax collection administrative capacity 	<ul style="list-style-type: none"> • Expand programmes of G20 and non-G20 countries on sharing experiences on effective public spending, ways to build tax administration capacity, promote good governance principles and the ownership principle of effective aid
Knowledge sharing	Platform for knowledge sharing	<ul style="list-style-type: none"> • Establish Regional-level knowledge-sharing platform 	<ul style="list-style-type: none"> • Initiate a knowledge platform for LICs where G20 countries share recent experience of successful pro-poor development strategies and offer technical assistance to African countries to adapt experience to own context

Note: C10 = Committee of African Finance Ministers and Central Bank Governors.

LICs = Low Income Countries

ILO = International Labour Organisation

Actions to combat corruption

The G20 is in a unique position to lead a worldwide crackdown on corruption and illicit financial flows – which have cost Africa an estimated \$854bn from 1970 to 2008. (Africa Progress Report, 2010⁸)

The Anti-Corruption Working Group is a welcome addition to the G20 agenda. At the Toronto Summit there was vocal support for the United Nations Convention Against Corruption and action in areas including adopting and enforcing anti-bribery rules, stolen asset recovery, closing down tax havens and protecting whistleblowers and improving transparency in the extractive industries. The Seoul Summit should endorse practical actions on how progress can be made to beat corruption and promote transparency, for example:

- Ratify and fully implement UNCAC
- Increase the resources available for the World Bank's Stolen Asset Recovery Programme to track down and recover stolen assets
- Reach agreement on country-by-country reporting for all extractive companies registered on stock exchanges in the G20 as well as full extractive sector transparency laws in African countries
- Strengthen African tax collection systems and coordinated action to end non-transparent financial centres

⁸ <http://www.africaprogresspanel.org/en/our-work/publications/annual-report-2010/>

Action to deliver and expand the L'Aquila commitment on food security

In 2009, the G20 committed \$22 billion to the L'Aquila Food Security Initiative through bilateral and multilateral channels. The G20 members have yet to fully clarify the details of their financial commitments and outline how they will implement the qualitative principles: adopting a comprehensive approach, promoting country-led strategies, strengthening coordination, leveraging benefits from others and delivering on a sustained, accountable commitment. The G20 have committed to addressing the needs of smallholder farmers, the position of women farmers, and the impact of climate change on agriculture - all of which are essential to improving agricultural productivity and pro-poor growth.

In Africa, country-led plans must be supportive of the CAADP process. The G20 should also take the opportunity to look beyond the L'Aquila commitment for a longer-term framework to promote sustainable agricultural development and improve food security to stay on track to meet the first MDG – to halve hunger and poverty by 2015. The Seoul Summit should:

- Redouble G20 efforts to follow-through on commitments to the L'Aquila Initiative, including adequately financing the Global Food Security and Agriculture Program
- Promote increased private sector investment in African agriculture, especially supporting regional market integration and value added processing
- Commit to initiating a longer-term framework to address global food insecurity and poverty reduction through agricultural development

Action to promote African representation and voice

If the G20 is to become a forum for truly global debates about growth and poverty reduction there must be more representative participation from the least developed countries (LDCs). The majority of LDCs are in Africa and the G20 should take steps to formally accommodate the voice of African countries. In the interim, institutions such as the African Union should continue to be invited and supported to participate in ministerial meetings, Summits, and their preparatory processes.