



THE G20 AND AFRICA – WORKING TOGETHER TO SUPPORT AFRICA’S GROWTH AND DEVELOPMENT

Africa is changing in ways that challenge traditional stereotypes. It is a continent of nearly one billion consumers and its economy is projected to grow by nearly 6% over the next five years. But not only is it a place of growing economic opportunities, it is also improving transparency in both public and private sectors and increasing democratization. Its relationships with the rest of the world are also changing. These are no longer just one-way relationships where aid is given and received, but are increasingly based on mutual investment and trade opportunities, and more equal partnerships.

Africa is part of the solution to global challenges. However, at the same time it continues to face its own great challenges; the continent and its people need to grow more food, translate high growth rates into economic and social development for all, and its governments need to demonstrate they have their citizens’ interests at heart.

The French presidency of the G20 offers an historic opportunity to support and promote Africa’s development. President Sarkozy has put development high on the agenda, with food security, infrastructure and social protection as priorities. He has promised to implement an innovative finance mechanism for development in the G20 framework by the end of the year. In June for the first time the G20 convened a ministerial level meeting on agriculture, mainly focused on food security and food price volatility. Another first will be the G20 development, a joint meeting of the ministries of Finance and Development in late September. As France has also been in charge of the G8 this year it has aimed to streamline the two processes as much as possible and argued that development should be more of a G20 priority, including emerging donors, than of the G8. The G20 has an historic responsibility and unique opportunity to take on global leadership for development.

ONE calls on the G20 to show leadership and make a difference in the following areas:

- Increase effective resources for food security;
- Increase finance for development;
- Promote good governance and transparency; and
- Support for sustainable, inclusive growth.

Accountability should be paramount across all these areas.

Increase effective resources for food security

Investing in agriculture is one of the best ways to reduce poverty in Africa. Agriculture represents around 30% of GDP across the continent and two-thirds of Africans depend on farming for their incomes. When connected to markets, small-holder farmers can generate an income, send their children to school and help lift their community out of poverty in the long-term. This multiplier effect is why investments in agriculture are estimated to be two to four times as effective in reducing poverty as growth generated from other sectors.

This is particularly important as food prices reach historic highs again and more than 13 million people are in crisis in the Horn of Africa. Nearly two years after the G8 L’Aquila Summit, donors have yet to clarify how and when they will meet their commitments, let alone address the mounting challenges underlying rapidly escalating food prices. According to the World Bank an estimated 44 million people have been pushed into poverty since June 2010 by rising food prices. There has also



been a surge in large scale land deals and investments in recent years, often from outside the continent. Limited transparency around these 'land grabs' raises concerns about local people's land rights.

At the same time, the private sector is a key component needed to improve food security by creating employment opportunities and reducing barriers to agricultural trade. However, relative to other sectors, agriculture presents greater barriers to private sector investment because diverse landscapes, poor infrastructure, low population density and weak markets mean that returns may be comparatively lower. To unleash the enormous potential for African agriculture, attracting private investment will require policies and regulations that improve the business climate; expanded and improved infrastructure for transportation, telecommunications, energy and water; and innovative risk management mechanisms.

To harness agriculture for Africa's development, the G20 should:

Increase Resources for Agriculture and Food Security

- Acknowledge the urgent need for emergency and long-term investments and call on all countries to fully fund the UN appeal for the Horn of Africa and increase all other short- and long-term development efforts in the region.
- Reiterate the G20's engagement taken in 2009 in L'Aquila to increase resources for long-term agricultural development and agree to set out a road map for delivering on the qualitative and quantitative engagements by 2015.
- Agree to work towards a framework and commitments from all G20 members for long-term investments in agricultural productivity and food access in developing countries to be agreed by the Mexico G20.
- Call on all African leaders to fulfil transparently the Maputo commitment of allocating at least 10% of national budgets to agriculture.
- Acknowledge the efforts and first successes of the Global Agriculture and Food Security Program (GAFSP) for which all pledges should be fully funded by existing and new donors and call for additional pledges in light of the on-going food crisis and the opportunities presented by investing in agricultural productivity.
- Commit to fully fund the International Fund for Agricultural Development (IFAD) under the 8th replenishment in December 2011 in order to allow it to continue empowering poor rural women and men to increase incomes and improve food security.

Curb Food Price Volatility

- Establish regulatory measures including the creation of position limits on OTC food derivatives and index-fund food commodity futures trading and the requirement for all commodities derivatives to be subject to notification, clearing and monitoring. Adequate regulatory bodies should be established to enforce these measures.
- Welcome the EU efforts to establish a regulatory commission for futures trading.
- Commit to increase the transparency about grain stock availability by establishing the Agricultural Market Information System (AMIS).

Prevent "Land Grabs"

- Establish a commission to report back to the G20 finance ministers group by June 2012 proposing a set of principles for transparent and fair land acquisition in developing countries that protects



the rights and promotes the sustainable development of smallholder farmers and rural communities.

Improve agricultural risk management of poor countries

- Acknowledge that investments in agricultural risk management and social safety-net programs can ease the impacts of prices spikes and build the resilience of poor countries and farmers to withstand price shocks when they occur.
- Welcome the development of a risk management tool box and commit to report annually on efforts to implement the tool box.

Enable private sector investment

- Commit to increase the pooling of public and private capital into new and existing funds to finance commercial opportunities in often neglected areas. While the development benefits would be sizable, the funds must address the needs of small-scale farmers and not negatively impact rural communities.
- Agree to expand the US Development Credit Authority and other related programs in smart, prudent ways to provide underserved farmers with the capital required to grow their small businesses and income.
- Decide to launch advanced market commitments (AMCs) for agriculture to promote the rapid development and availability of technologies such as suitable seeds and fertilizers in remote areas. By guaranteeing a future market for successful products, AMCs incentivize private companies to get creative and push the envelope.

Promote good governance and transparency

Sustainable and inclusive development depends on good governance. Without effective and transparent leadership that is accountable to its citizens, business will not thrive, civil society cannot flourish and resources for development—both domestic and external—are less likely to be used effectively. This is especially important in the extractive industries, a sector which generates the largest revenues in Africa – more than nine times the value of international aid. However, resource-rich countries in Africa have for too long been characterized by weak financial and political institutions, leading to corruption and mismanagement. Transparency is the first step to tackling the problem. This empowers investors and civil society with the information they need to promote accountability and make wise business decisions. The Extractives Industry Transparency Initiative (EITI) helps build civil society capacity to hold their governments to account in resource rich developing nations and the Natural Resource Charter provides a broader framework for generating broader sustainable development outcomes. This systematic application of transparency principles is also being extended to other sectors important for Africa's growth. For example the Construction Sector Transparency Initiative improves the efficiency of publically funded construction projects, which are liable to mismanagement, waste and corruption.

However, while guidelines and initiatives have a crucial role to play, ultimately it is legislation and ratification of agreed international conventions which ensure a level playing field. A model for this in the extractives sector is contained within the US Dodd-Frank Act passed in July 2010. Citizens also need to access and use this information and broadening access to the internet can facilitate this.



To promote good governance and transparency in support of Africa's development, the G20 should:

Increase transparency in the management of natural resources

- Commit to setting in place transparency laws and regulations that require companies engaged in oil, gas, and mining to disclose financial information on their operations in every country they have a presence, including the payments they make to governments on a project-by-project basis, and full country-by-country reporting.
- Support the EITI, which is essential in building multi-stakeholder groups to promote transparency and accountability.
- Adopt the principles of The Natural Resource Charter at a regional (AU) and national level to provide a framework for generating broader sustainable development outcomes.

Implement and build on the Action Plan of the G20 Anti-Corruption Working Group

- Ensure all members have ratified and are actively enforcing UN Convention Against Corruption.
- Support the World Bank's StAR initiative through the anti-corruption working group.
- Apply transparency principles to other sectors – for example advocate a scaling-up the Construction Sector Transparency Initiative as part of the Infrastructure task force recommendations.

Increase financing for development

When global leaders endorsed the MDGs in 2000, they acknowledged that a substantial amount of additional resources would be required to meet the ambitious targets, in addition to improvement of the quality of development assistance. At the 2005 G8 Summit in Gleneagles, the G7 and other donors agreed to double development assistance to Africa by 2010¹. While some countries met these targets, the majority has not and there is a significant shortfall between the increases promised in 2005 and delivered by the end of 2010.

Many G20 members beyond the G8 are now significant donors. The OECD Development Assistance Committee (DAC) estimates that non-G8 members contribute an estimated US\$12-14 billion dollars each year². Because most of these new donors do not report their ODA figures to DAC, few details are known about their investments or their impact and effectiveness. Non-DAC members should report their development assistance spending annually to the DAC in a standardized, transparent manner. Quality of aid flows is equally important, and the upcoming Fourth High Level Forum on Aid Effectiveness in South Korea offers an opportunity for countries to reaffirm or in the case of new donors adopt commitments to improving how aid is spent and the outcomes it can achieve.

Increased domestic resources are also essential for development and African governments have pledged to increase their own investments in key sectors. However in 2008, just ten of 45 African countries sampled were meeting their Maputo commitments to invest 10% of their national budget in agriculture, while in 2006 only six countries were meeting the Abuja commitment to allocate 15% of their national budget towards health³.

¹ To double their collective development assistance to Africa, the G8 committed to increasing their current spending to reach \$25 billion annually by 2010 (\$22.6 billion in constant 2009 prices).

² OECD-DAC. <http://www.oecd.org/dataoecd/58/24/45361474.pdf>

³ OECD and UN-ECA. 2010 Mutual Review of Development Effectiveness.

http://www.oecd.org/document/48/0,3746,en_37489563_37489442_42169968_1_1_1_1,00.html



Beyond these financial flows there is an acknowledged need that additional resources for development will be needed and a number of innovative financing mechanisms have been proposed. They have already played a role in recent years. From 2000-2008, innovative financing mechanisms generated over US \$57bn, or 4.5% of total gross ODA⁴. A further untapped source of finance could come from a largely diaspora funded Africa bond providing capital for regional infrastructure projects. Some of these instruments would engage the private sector more in global development; a strategic fit with the “Seoul Development Consensus”. To mobilize more resources for development and ensure they are well used in support of Africa’s development, the G20 should:

Fulfil their aid quality and quantity promises

- Donors that have not met their 2010 commitments should develop a plan to meet their targets as soon as possible and those that do not have development assistance targets beyond 2010 should establish them, along with a clear timetable for delivery and targets for sub-Saharan Africa.
- At the Fourth High Level Forum on Aid Effectiveness in South Korea in November countries should reaffirm, or in the case of new donors adopt, strong aid effectiveness principles.
- Ensure all commitments are made in accordance with TRACK Principles: Transparent, Results-oriented, clear about the degree of Additionality, clear about the degree of Conditionality, and monitored by an independent mechanism to ensure the promises are being Kept

Support domestic resource mobilization

- Encourage developing countries to improve their taxation administration systems and policies in order to build a sustainable revenue base to fund nationally owned development plans.
- Commit to support these efforts, especially with technical expertise and exchange of lessons learned.
- Reaffirm its commitment to work together to increase transparency and information exchange between financial centres; and commit to work together to ensure that information on all financial flows, public and private, is available for citizens and civil society in all countries.

Implement innovative finance for development

- Endorse Bill Gates’ report on development finance that President Sarkozy had asked him to produce for the G20. The heads of state should commit to implement its recommendations.
- A pioneer group of G20 member states should commit to introduce a Financial Transaction Tax (FTT) by the end of this year and to allocate at least half of the revenues generated to the fight against poverty and climate change in developing countries, particularly in Africa.
- Also by the end of this year all G20 members which are not part of the group implementing an FTT for development and climate agree to implement together or separately at least one innovative financing mechanism through which they will contribute to additional development financing.
- Reiterate the commitment to further bring down the significant costs of remittances as promised in 2009 in L’Aquila. The heads of state should commit to reduce the global average cost of transferring remittances to 5% by 2014 as well as specific price peaks identified by the World Bank.

⁴ World Bank, "Innovative Development Finance", by Navin Girishankar. This figure includes local currency bond issuance so is not just donor supported IF



Support sustainable, inclusive growth

The G20 Seoul Development Consensus outlines policies that could promote growth in Africa. To be most effective at reducing poverty, economic growth however needs to be geared in a way that makes it as equitable and inclusive as possible.

In addition to isolating the poorest from economic growth and its benefits, high inequality within a society can have substantial economic costs for said society⁵ and offset the benefits of further economic growth. Policies that simply focus on promoting average growth rates, without targeting or compensating for inequality, may actually exacerbate poverty - especially in countries with high existing inequalities. For economic growth to best alleviate poverty it is the quality and dispersion of the growth, as well as the intensity, that matters. Without recognition of this fact there is an exceptionally strong possibility that poverty reduction will not be achieved.

One sector which is key for driving pro-poor growth and in which the G20 could make a difference is infrastructure. A lack of access to transport, energy, sanitation and irrigation infrastructure decreases economic activity, reducing output by as much as 40%. Investment in infrastructure is however badly lacking in sub-Saharan Africa: Recent estimates by the African Development Bank (AfDB) put the annual infrastructure deficit of the region at over \$45 billion. 70% of the population has no access to electricity, 95% of agriculture is without irrigation and the majority of the rural population is not served by roads to market. SSA is still missing the basic infrastructure required for human development, market generation and poverty alleviation. Poor people too often pay heavily in time and money to access vital services such as sanitation, healthcare and education – tying achievement of the Millennium Development Goals closely to infrastructure access.

Africa only accounts for 3.3% of world trade. Increasing trade within the continent and externally could promote economic growth and poverty reduction if poor people have the opportunity to participate in that trade. Africa still faces numerous internal trade barriers: a lack of regional infrastructure, high transport costs, high tariffs for goods in which it has a comparative advantage, agricultural subsidies in developed nations, onerous and differing rules to qualify for preference schemes (such as rules of origin) and weak supply side capacity. Regionally, countries have not fully implemented agreements to reduce trade barriers and promote greater economic and physical integration. The development of regional infrastructure will be particularly important for this.

To ensure growth support Africa's development and poverty alleviation, the G20 should:

Support pro-poor infrastructure

- Endorse the OECD principles on infrastructure for poverty reduction, those on multinational enterprises and the UN Ruggie guidelines and encourage the use of pro-poor, sustainable investment criteria for all infrastructure projects, including those financed by private initiatives.
- Support the projects identified by the High Level Panel on Infrastructure Investment and subject them to a poverty reduction assessment and an environmental impact assessment.
- Support the Construction Sector Transparency Initiative and call on all companies involved in infrastructure projects to join the initiative.
- Launch an initiative for the use of sovereign wealth funds for pro-poor infrastructure by a conference before the end of this year. The initiative would aim at coordinating the use of

⁵ Ramcharan R (2010) "Inequality is Untenable" *Finance and Development*, Sep 2010, pp.24-25, IMF, Washington DC.



sovereign wealth funds for pro-poor investments in energy, water and sanitation and transport infrastructure projects in Africa. The initiative would also explore ways of leveraging additional funds for infrastructure maintenance and report back with concrete proposals to the G20 by next year.

- Support the African Development Bank's initiative for an Online African Infrastructure Marketplace.

Monitor inclusive growth

- Monitor inequality and the distribution of growth alongside the rate of growth, to ensure that growth always works for the poorest, and mandate the IMF to report annually on inequality as part of Article IV Country Consultations.