February 2024

DEVELOPMENT REIMAGINED

# African Priorities for the G21

## Six Priority Proposals from Development Reimagined

# The Reason for this Policy Brief

This policy brief is intended to support African governments and policymakers, as well as development practitioners, in identifying and delivering key African priorities for the Brazilian Presidency of the Group of 20 (G20). In particular, this brief builds upon the momentum set in September 2023 by the Indian Presidency, whereby the African Union (AU) joined G20 as a permanent member – resulting in the G21 (referred hereinafter).

The AU's joining the G21 reflects the need for a strengthened African voice in the multilateral system in an era of global economic interdependence. As of 2023, Africa's GDP was estimated to be US$3.1 trillion, making the continent the 8th largest economy globally, with a population of 1.3 billion – a size similar to China and India. The continent is also expected to experience significant economic growth, with the IMF forecasting the continent's GDP growth at 3.8% for 2024, outpacing the rest of the world. No doubt, a significant proportion of global growth will be driven by the continent in the forthcoming years, meaning Africa's economic weight cannot – and should not – be overlooked by other G21 partners. The African continent is fundamental to their own prosperity.

However, now that the AU has joined the G21, a key question is how can the AU take advantage of this representation to benefit African countries as much as possible?

The first step is having the right people in the room. Although the G21 convenes a plethora of meetings on topics from trade to development, the G21 primarily interacts at three levels: the leaders' level, the finance ministers' level and the central bank governors' level. G21 leaders are also supported by "Sherpas", usually appointed from or by each country's Foreign Ministry.

At the 2023 AU Summit, it was agreed that the AU Chair – which for 2023 was the President of the Union of Comoros H.E. Azali Assoumani and will change annually at each AU Summit – and the AU Commission Chairperson – HE Moussa Faki – will represent Africa at the G21 leaders' level. It is likely that other representatives will soon be appointed for the other key positions.

But what will these African leaders say and advocate for? Deciding such priorities is the second key step in ensuring the AU takes advantage of G21 representation to benefit African countries as much as possible. This policy brief therefore provides suggestions for what the AU appointees might seek to negotiate in this first pivotal year of G21 membership.

# Six Key Priorities for the AU in the G21

Brazil has assumed the chairpersonship of the G21 and has stated its primary goal is to "Build a Fair World and a Sustainable Planet". To deliver a fair world and sustainability, further strengthening the African continent economically is obviously critical, and that can only happen by fostering a more robust African presence within the G21.

This policy brief outlines six key priorities that the AU leaders and representatives in the G21 could focus their advocacy and negotiating capacity around, starting in 2024, and that other non-African G21 members, including the Brazilian Presidency, could support. The six priorities are selected because they not only complement each other, but they also link strongly to the mandate of the G21 as the premier global forum for agreeing on economic and financial affairs; pick up on contemporary, challenging issues discussed most recently by the G21 in various communiqués; and also link to key African economic and financial issues being faced that affect the ability of African countries to meet the SDGs and Agenda 2063 – the continent's development blueprint. The six priorities are as follows.


Given that 2024 will be the first year the AU is a full G21 member, it is key that African priorities are put on the table as early as possible. Using this brief, African policymakers and other international partners will be well-equipped to have a unified position to make positive change through the G21 forum. Reference to the priority areas included in this brief within the 2023 G20 Declaration can be found in Annex I.

# AU's G21 POLICY PRIORITY 1

## The IMF's Quota System and Representation should be revised in Africa's Interest

The International Monetary Fund (IMF), known as the world's "lender of last resort", employs a system of quotas that serves four essential functions for its member countries. The quotas determine:

- Financial commitments (e.g. for increasing the IMF's capital);
- Voting power (for example on decisions to provide emergency finance to countries in times of need);
- Access to financial assistance (quotas create limits on what countries can borrow easily from the IMF at times of need);
- The allocation of Special Drawing Rights (SDRs – see Priority 2 for a further explanation).

Quotas were agreed at the creation of the IMF in 1944, and in those discussions, different member states argued for higher quota shares. For example, the UK argued for a quota share that reflected its trade with its then colonies in its empire. The US argued that its large economic size should be taken into account. France argued that the population of its colonies should affect its quota as well. Over time, a "formula" emerged, which is now generally used as a means to determine and adjust quota shares of IMF member states as they join, grow and develop. Today's formula has four key elements:

- An "economic size" variable (GDP), such that bigger economies get a bigger share – on the basis that if their economies suffer, they may need to draw on relatively more resources from the IMF (accounts for 50% of the quota determination);
- An "openness" variable, such that countries that are more open to the world and therefore global shocks get more resources from the IMF (30% of the quota determination);
- A "variability" variable such that countries that have more volatile or vulnerable economic features that make them more susceptible to balance of payments shocks (e.g., they have high flows of foreign investment or are more reliant on exports) get more access to IMF resources (15% of the quota determination)
- An "international reserves" variable to reflect that countries with higher reserves of foreign exchange, gold or SDRs, get more access to IMF resources (5% of the quota determination).

It is obvious that as a result of this formula, high-income countries end up holding significantly larger quotas, which not only limits the voice and decision-making power of poorer countries but also limits their access to emergency IMF support. This is despite the fact that history has shown that low- and middle-income countries are more likely to need "lender of last resort" support from the IMF.

However, helpfully, the IMF quota system is regularly reviewed. For instance, with the rise of emerging markets and several-middle income economies, the IMF's 14th General Review of Quotas, completed in 2010 and implemented in 2016, aimed to enhance their decision-making power and access to IMF resources.

This was achieved by a combination of roughly doubling all quotas of IMF member-states as well as making changes to the quota formula to shift 6% quota shares from what were perceived as "overrepresented" members to those underrepresented. In contrast, the next (15th) General Review of Quotas, concluded in 2020, did not involve any changes to quotas but provided guidance for the recently concluded 16th Review.

In the most recent review (16th) in December 2023, no changes were made to the quota formula and therefore distribution, but the IMF did agree that all quotas of member countries should increase proportionally by 50%.

Today, after all these changes, the US with 17% of the total quotas remains the largest IMF shareholder among the G21, continuing to grant it effective veto power in any discussions involving changes to the quota formula (see Figure 1). G21 member-states, excluding South Africa, the European Union (EU), and  African Union (AU), collectively possess 71% of total IMF quotas.

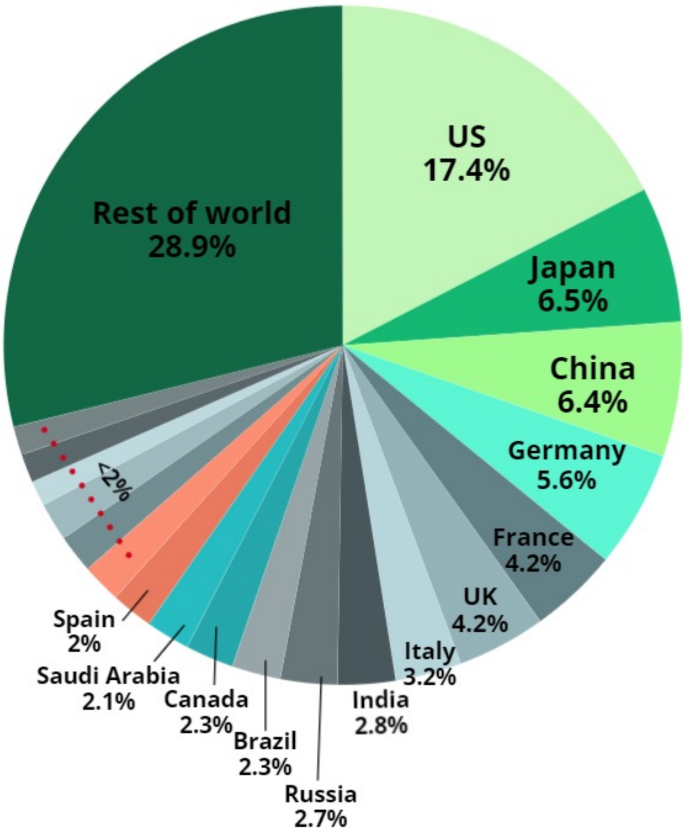


*Figure 1: Quotas of different IMF member states as % of total*

Meanwhile, AU member-states collectively possess 5.2% of the total quotas, which is equivalent to just 29.7% of the quota share of the US. Within these African member-states, South Africa holds the largest share (0.64%), followed by Nigeria (0.52%), Egypt (0.43%), and Algeria (0.41%). That means that 39 African countries each represent less than 0.1% of overall IMF quotas. To put this in context differently, a single country like Germany has around the same amount of quota as the entire African continent.

The African region has had this kind of limited allocation from the very beginning. For instance, only four African countries were founding members of the IMF out of a total 44 countries in 1944. Of those African founding members, South Africa, Egypt and Ethiopia now have fewer shares than they did initially. African shares have not been protected over the last 80 years.

**The question therefore is, should African countries get larger quota shares? If so, what quota volume and share would be in Africa's interest to aim for? And how could this be achieved?** The case for a larger quota for African countries is three-fold, and very strong, beyond the stark inequities already set out in this briefing:

- **African countries have significant financial needs for development**, but their economic size (especially individually) is insufficient to ever raise sufficient finance on their own (especially for infrastructure spending which is extremely lacking) and provide enough resources to build up financial reserves;
- **African countries have demonstrated over time their vulnerability to external shocks**, especially due to their long-standing, low-value and commodity-based economic structure, a structural vulnerability that is not reflected in the quota formula;
- **Going forwards, African countries can be expected to need more emergency financial resources** due to high climate change risk and vulnerability.

Overall, under the existing quota formula, African countries are effectively locked into a vicious cycle whereby they regularly need to seek resources from the IMF, but those resources are always too limited to enable any real change that will build resilience to shocks that the IMF is ostensibly meant to help deal with.

The IMF Board of Governors will engage in the 17th General Review of Quotas by June 2025. To inform this member countries are required to provide their views and consent for changes by November 15, 2024. Developing and sharing an AU view of quota reform through the G21 could be very useful to this process.

The deficiencies in the IMF quota formula produce a skewed quota distribution that undermines the IMF's capacity to meet the needs of its member states, especially low- and middle-income countries, especially AU member states. But what kind of formula adjustment might be better for Africa? To explore and induce this it is first crucial to review what kind of overall allocation adjustment would be in African interests.

First, it is important to clarify that in most cases redistribution of quotas to increase Africa's overall share leads to a higher quota for Africa than simply increasing quotas for all countries. This is illustrated in Figure 2 below.

For instance, with a straightforward 50% increase in IMF quotas, African countries would gain extra quotas worth 12.4 billion Special Drawing Rights (SDRs, which can be thought of as the IMF's currency), with no change to its voice and power in the institution. However, if African quotas are doubled (i.e. from 5% to 10%) and quotas of non-African countries redistributed to compensate for this, Africa gets extra quotas worth 24.6 billion SDRs, and increases its relative voice and decision-making power in the IMF. A similar result - i.e., an increase in Africa's quota share as well as an increase in its voice and decision-making power - would obtain in the scenario where there is a 50% overall quota increase accompanied by a doubling of Africa's quota share.

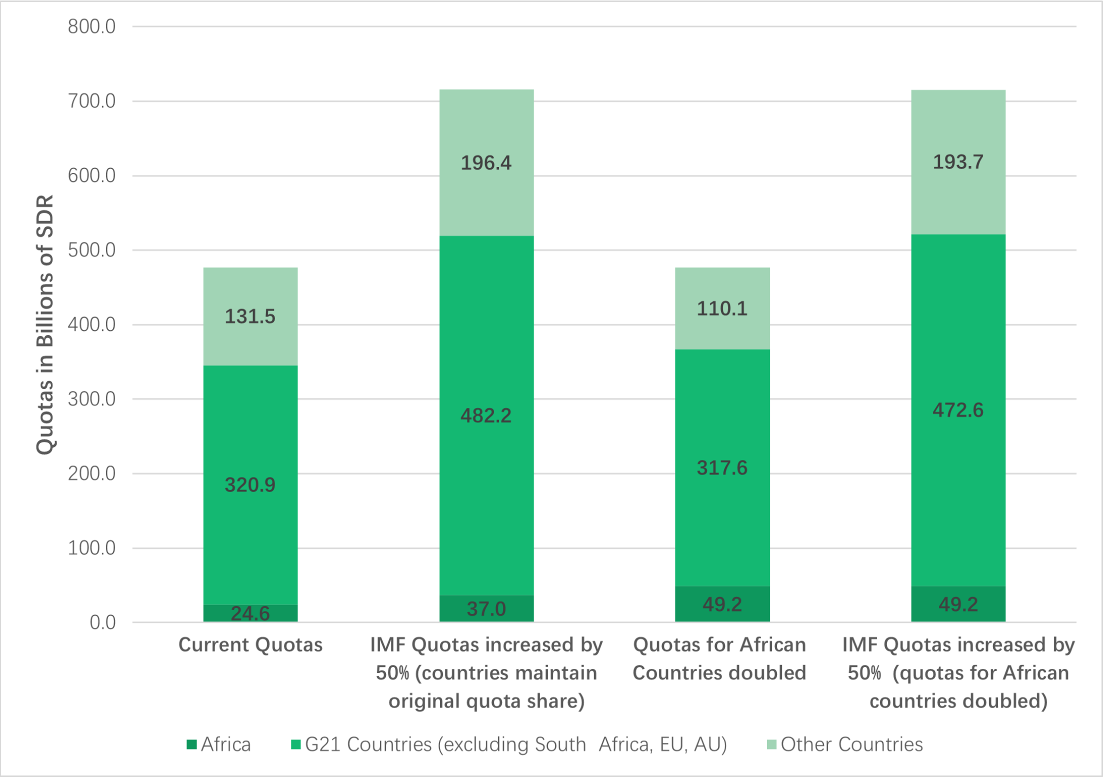


*Figure 2: Impact of changing IMF quotas for Africa.*

Hence, in the G21, it is in Africa's interest for the AU representatives to put this issue forward and make sure that redistribution of quotas towards Africa is on the table for forthcoming negotiations.

Second, there are a plethora of means to “redistribute” quota shares from non-African to African countries. For instance, were African shares to be doubled to around 10% (as per the previous example):

a) Quotas could be evenly redistributed across non-African countries. This would result in a reduction of 181 million SDRs for each non-African country. Among the G21 countries, this redistribution leads to their quotas collectively decreasing by 1.01%, amounting to a total reduction of SDR 3.3 billion. However, this would also lead some countries to have negative SDRs (especially small non-African countries such as islands).

b) Quotas of only G21 member countries only, excluding AU member-states, could be equally redistributed to African countries. Consequently, the quotas for G21 countries would decrease by 7.67%, with each country's quota diminishing by SDR 1.36 billion.

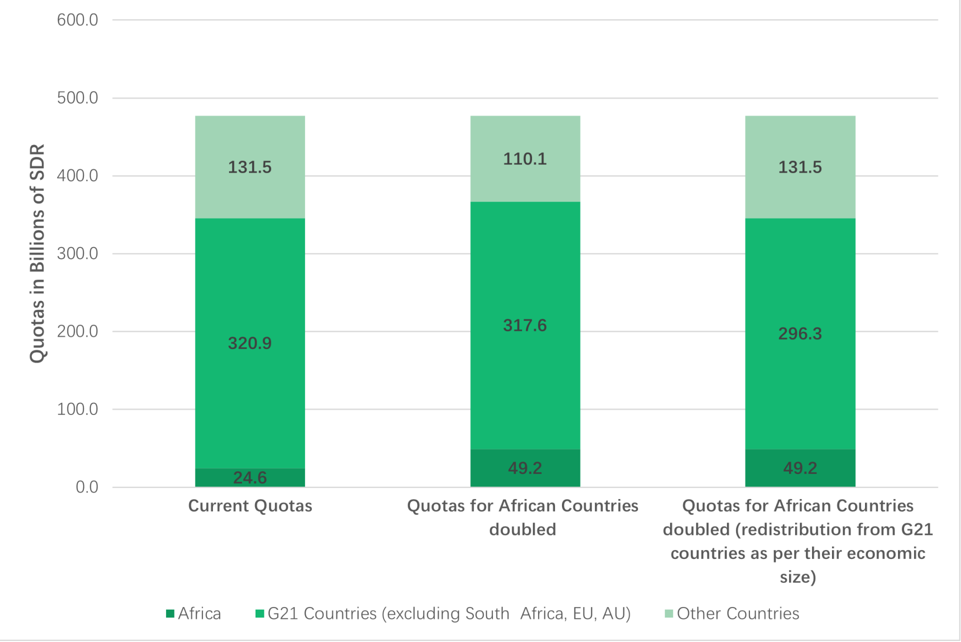


*Figure 3. Scenarios for redistributing Quotas to Africa.*

c) Quotas of G21 members could be redistributed only, but this time in accordance with their existing quota proportions, i.e., more over-represented countries reallocate more quota shares. For example, starting with the US, with the largest quota, this would lead to a decrease from 17.4% to 16.0%; Japan's share decreases from 6.4% to 5.9%, and China's from 6.3% to 5.8%. Germany, the largest economy in Europe, quota would fall from 5.5% to 5.1%; Russia's quota falls from 2.7% to 2.4%, and Brazil's from 2.3% to 2.1%. This pattern persists across the board, with smaller economies such as Argentina, Indonesia, and Turkey also seeing a decrease, but to a lesser extent (Figure 3).

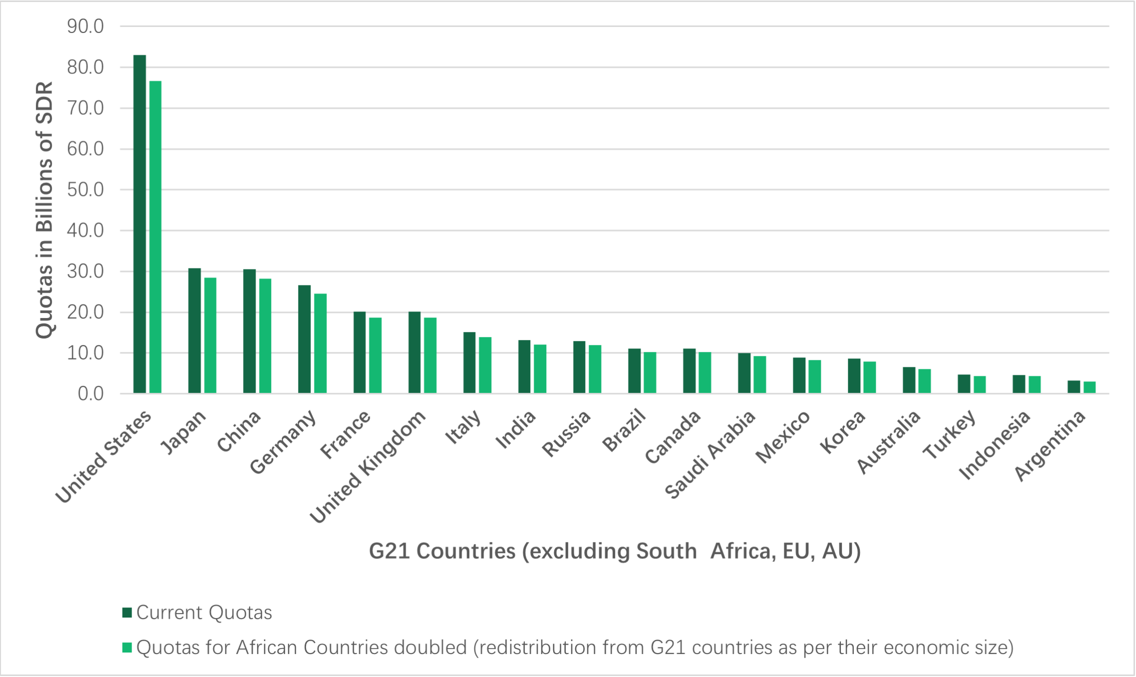


*Figure 4. Impact of a proportional redistribution of G21 quotas to Africa (Scenario C).*

This means that, as the AU representatives are putting forward quota reform issues and ideas in the G21 and elsewhere, it will be possible to accommodate any concerns of other low- and middle-income countries about their own voice and power in the IMF, and the G21 itself can make decisions amongst themselves on how to manage redistribution.

A further question is how a doubling of African quotas or another similar outcome might be reflected in an updated, more relevant quota formula. For instance, while the 'variability' variable was, originally theorised to capture members potential need for IMF resources, in its current form, advanced economies have around 60% of the variable which translates to nine percentage points in the quota formula. However, the IMF's 15th General Review of Quotas found no significant relationship between "variability" and member-states' actual or potential demand for IMF resources.

Thus, instead the variability variable should aim to favour low- and low-middle-income countries that are significantly more vulnerable to exogenous shocks, balance of payments shocks and their greater need for IMF resources. Alternate approaches could for instance, include using the rate of SDR utilization in the past.

Similarly, there is a case for changing the "openness" variable – as it biases the quota distribution in favor of countries that in volume terms (not relative terms) are more engaged in international trade and financial activities, which tend to be advanced economies, and is measured in a gross form rather than value-added basis, leading to distortions due to the double counting of cross-border flows. Adjusted Terms of Trade could, for instance, be used instead, therefore favoring countries that have more vulnerability to shocks because they have worse terms of trade.

This analysis suggests that AU representatives have a strong, theoretical basis for calling for quota reform and ideas in the G21 and elsewhere, theoretical changes which may well lead to the kinds of outcome in Africa's interests, shaping a quota formula that is more reflective of the IMF's role as the global lender of last resort.

Finally, IMF quota reform should facilitate stronger decision-making power to tackle challenges such as staff diversity and representation in the IMF. Currently, African countries have too little decision-making power not only due to the quota structure but also how this quota is then reflected in IMF board representation. Board representation is important for several reasons.

The IMF board, for instance:

- Oversees and approves decisions related to quotas and the overall capital base and use of the IMF;
- Oversees and approves disbursements of IMF resources to African and other countries;
- Oversees and approves the conditions under which those disbursements are made (e.g. Austerity measures, structural adjustment, etc.)
- Oversees and approves the IMF's approach to its own interest rates, debt servicing requirements;
- Oversees and approves the analytical work of the IMF (e.g. Debt sustainability assessment approaches – discussed further in this briefing);
- Oversees and approves the IMF's approach to diversity and staffing – for instance, whether the IMF's president, senior leadership, staff and consultants at all levels in IFIs reflect the regions they serve or their shareholders (e.g. It is well known that the IMF president has to date always been European); and much more.

Each board representative has to take a view on these issues, at each meeting. However, Africa is seriously behind when it comes to board representation. For instance, the US, Japan, China, France, Germany and the UK have individual representatives who can focus on their country-specific needs and do not need to coordinate with anyone else in advance of the meeting to take a view on crucial decisions.

In contrast, since the IMFs inception there have traditionally only been two African IMF Executive Directors (EDs), with a third recently added at the 2023 Annual Meetings. This means that even today, each African IMF ED will represent 15 African countries each (rather than 23 and 22 each). (NB: There are some African countries that are clustered with other non-African countries' EDs. Six African countries, including Ghana, are represented by Middle Eastern regional directors, while Cape Verde is within a Latin America and the Caribbean grouping).

This means that diverse African views have to first be coordinated, filtered, and then can be transmitted to the board. A larger quota for Africa could facilitate further expansion of board representation, which is clearly much needed.

Overall, the AU, in the G21 has a strong case for arguing for reform of the IMFs quota system and representation. These changes are in the IMFs own interest – so that it becomes more credible and increases its own capacity to fulfil its lender of last resort mandate.

# AU’s G21 POLICY PRIORITY 2

## G21 Members should Reallocate Special Drawing Rights (SDRs) to African Financial Institutions

SDRs are an important financial instrument, managed by the IMF. They allow countries to decrease their dependence on their domestic and external debt, allowing these countries to increase their savings and ultimately become more financially resilient. In particular, SDRs can be traded for freely usable currencies (US$ or the British Pound for instance) between IMF member-states through voluntary agreements. As of today, the IMF has allocated a total of SDR 660.7 billion, which is equivalent to US$935.7 billion. When SDRs were created in 1965, it was decided that SDRs should be allocated to countries based on their quota share in the IMF. This has not changed. Since then, for every increase of SDRs made by the IMF the quota share has been used to determine its allocation across IMF member-states.

In August 2021, in response to the COVID19 pandemic, in order to provide urgent liquidity (also known as “quantitative easing”) to help countries spend to address the health and economic implications of the pandemic, the IMF’s board decided to make its largest global SDR allocation to date at a value of US$650 billion or SDR 456.5 billion. From this total allocation, due to the link to quota shares, US$33 billion, or approximately 5% was allocated to the African continent (Figure 5).

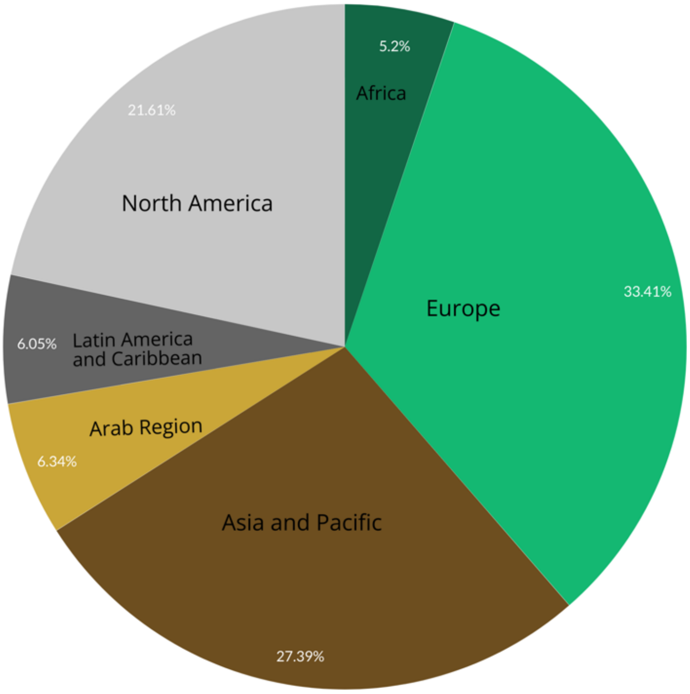


*Figure 5. 2021 Global SDR Allocation by Region.*
*Source: IMF 2021 General SDR Reallocation Data.*

To put this US$33 billion in context, African countries spent US$63 billion to address the economic and health implications of COVID-19 in 2020 and 2021. Data also shows that in 2020, the median COVID-19 stimulus package for African countries was 1.5% of GDP, compared to 13.2% and 7.4% of GDP for the US and the UK, respectively. Therefore, the US$33 billion was useful but also a small contribution in comparison to needs. Not to mention that the US$33 billion is not equally distributed within the continent, with the top 10 African countries with the largest SDR allocation accounting for 62.5% of the total allocation on the continent.

**There is no doubt that the decision to use quota shares to determine the distribution of SDRs, including the decision to do so for the most recent new allocation in 2021, disadvantages low- and middle-income countries, including African countries.**

As a result of this realization, as well as the continued fiscal constraints many low- and middle-income countries, including African countries, continue to face today, has resulted in a major push by the international community for high-income countries to reallocate their unused SDRs to low- and middle-income countries. There has also been an increase in the SDR interest rate (currently 4.099%) which makes trading SDRs for hard currency more costly for African countries.

In October 2021, the then-G20 announced its commitment to reallocate US$100 billion of SDRs to vulnerable countries. By June 2023, during the Paris Financing Summit, the IMF's Director Kristalina Georgieva announced that the US$100 billion pledge was met. However, this does not mean African or other countries can use the $100bn SDRs for several reasons. First, the US' pledge to reallocate US$21 billion of SDRs still requires congressional approval, so is not really "in the bank".

Second, some of the countries that have pledged to reallocate SDRs have tied them to the IMF's Poverty Reduction and Growth Trust (PRGT) and Resilience and Sustainability Trust (RST). However, these instruments have limited absorption capacity of SDRs, especially as they require countries to apply to them, and also include policy conditionalities. Furthermore (and for these reasons), such funds cannot be earmarked for specific regions such as Africa.

Meanwhile, African financial institutions have been available for SDR holding countries to reallocate to. For instance, the African Development Bank (AfDB) and the African Development Fund are prescribed holders of SDRs so there is no reason why countries can't reallocate their SDRs through these instruments.

The AfDB has worked hard to design a compelling proposal that would allow high-income countries to reallocate their unused SDRs to the Bank through a new Hybrid Capital Instrument (HCI), which would allow the Bank to leverage contributions three to four times. For instance, if Country A were to reallocate SDR 1 billion, the Bank would be able to on-lend 3 to 4 billion SDRs to member countries.

This HCI, as well as broader reallocation through the AfDB and other African Financial Institutions (AFIs), is important for African countries for three key reasons. First, SDR reallocation to AFIs including the AfDB will ensure that the funding only goes to African countries. Second, AFIs, and especially the AfDB as a AAA-rated multilateral development bank, have the best reputation for funding growth-inducing projects on the continent. Third, there are no policy conditionalities or "strings-attached" to AFIs funding, contrary to IMF instruments.

For the HCI to become effective, the AfDB needs five contributing countries to lend SDR 500 million each for an initial overall fund of SDR 2.5 billion. As of today, no country has officially reallocated their SDRs to the AfDB, or any other AFI.

Therefore, two key actions could be proposed to the G21 by African Union representatives regarding SDR reallocation:

1. **G21 members should reallocate their SDRs to AFIs, in particular the AfDB.** Over the last year, different G21 countries (among others) have expressed varying levels of interest in reallocating to the Bank or generally reallocating through any of the instruments. Based on those indications, the table below is a list of a few G20 countries that could potentially be interested in reallocating to the HCI based on a traffic scoring system (green, orange, and red).

2. **G21 members should commit to a minimum US$25 billion reallocation to the AfDB & US$12.5 billion to other AFIs.** Building on France's US$100 billion proposal, considering that African countries account for 50% of extreme poverty worldwide, half of that, US$50 billion can be earmarked for Africa. If a few G20 countries, let's say ten, were to contribute equally, then each country would need to pledge approximately US$5 billion each for Africa. Half could go to the AfDB (US$ 25 billion), a quarter could go to other AFIs (US$12.5 billion) and the other quarter (US$12.5 billion) could go to instruments such as the RST.

*Table 1: Development Reimagined's scoring of potential G21 Contributions to AfDB HCI*

| Country | Scoring |
|---|---|
| Argentina | |
| Australia | |
| Brazil | |
| Canada | |
| China | |
| France | |
| Germany | |
| India | |
| Indonesia | |
| Italy | |
| Japan | |
| Mexico | |
| Republic of Korea | |
| Russia | |
| Saudi Arabia | |
| South Africa | |
| Turkey | |
| United Kingdom | |
| United States | |

Overall, the AU, as well as the AFIs themselves, can take the opportunity of G21 membership to consistently push for reallocation and ensure that G21 members understand the proposal and its benefits for African countries.

# AU's G21 POLICY PRIORITY 3

## G21 Members should work to reform the IMF/WB's Debt Sustainability Analysis

The IMF and World Bank Debt Sustainability Analysis's (DSA) is arguably the international financial system's most important surveillance mechanism, with its main objective to use data and analysis to monitor countries' debt levels by classing them as either low, moderate, high or at risk of debt distress.

For instance, the DSA includes debt thresholds at 60% for low-income-countries – or 70% for emerging markets in market-access countries. This analysis is used to inform decisions by the IMF board and others on how much finance countries can absorb and manage, and interest rates that might be charged in order to manage that risk. Over time it has become clear that the DSA produces a major bias and therefore has the unintended consequence of imposing major constraints on how much external finance low- and low-middle-income countries can secure for development.

As Figure 6 illustrates, in 2019, 64 countries across the world had debt-to-GDP ratios over 60%, a third of whom – 21 countries – were African. However, all 12 of those who were classified as "at high risk of" or "debt distressed" in this group of 64 were African. This classification issue has worsened post-COVID. In 2022, 79 countries have debt to GDP ratios over 60%, 26 of whom are African. However, there are now 23 of the 79 that are classified as "at high risk of" or "debt distressed", and again all 23 are African.

Moreover, many high- and middle-income countries have developed with much higher than the 60% debt-to-GDP thresholds used for classification, and still sustain high ratios of over 100%. In other words, there is serious bias in this classification system, and their use should be avoided until this bias is corrected. Indeed, a 2015 study found that this premium saw African countries paying 2.9% higher on bonds than the rest of the world.

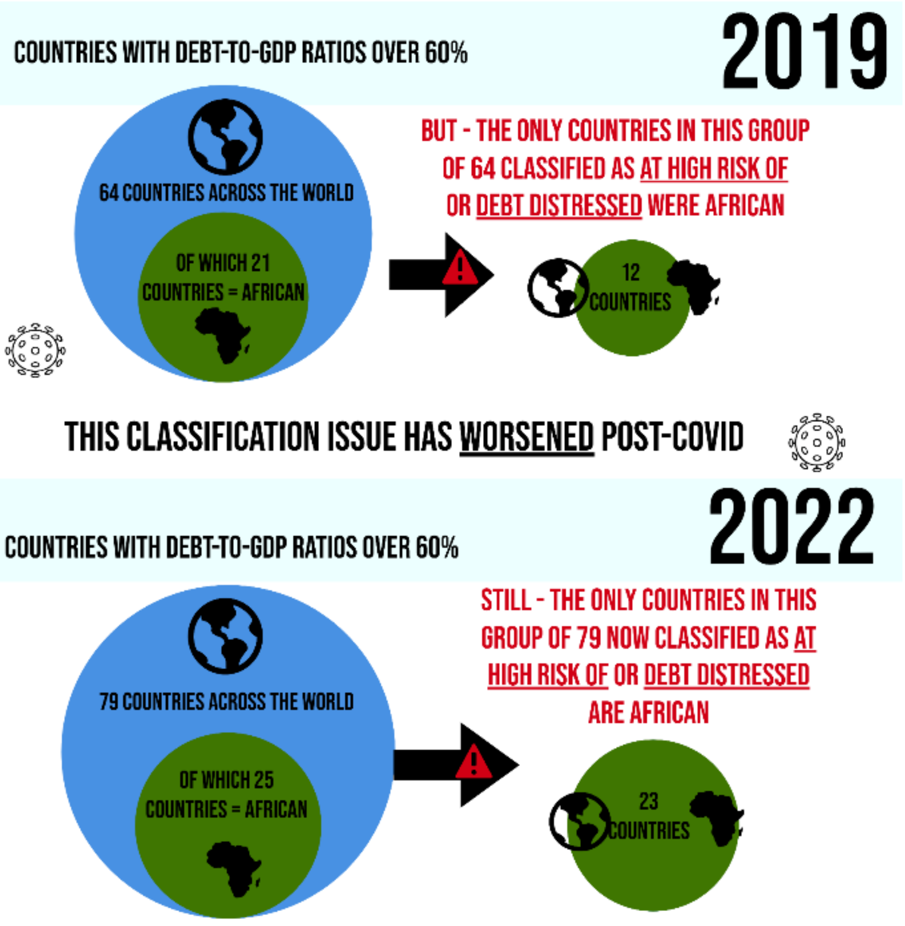


*Figure 6: Proportion of African countries under the DSA.*
*Source: Development Reimagined. Infographic:*
*The "African debt crisis" playbook – What's the real story?*

Due to the bias in the DSA, the international financial system (rationally) responds to these signals in a problematic way. For instance, in an ideal world, countries that are having trouble servicing their debt due to lower growth would ideally be able to access cheaper new finance to avoid a worse situation. Instead, countries that spend above restrictive thresholds are often subject to downgrades by credit rating agencies, which, in turn, makes access to, for instance, private finance more costly through interest rate rises.

Those who find themselves rated as high risk or in debt distress results in an "African Risk Premium" making borrowing more costly when countries apply for commercial credit as well as discouraging potential investors.

**There are several reasons why this bias has been created, which also provide insights into what sorts of reforms are needed to the DSA to remove its bias.**

First, the evidence for many of the thresholds often used in the DSA is thin. For instance, a meta-analysis published in the Journal of Economic Perspectives examined 816 estimates and found no uniform public-debt-to-GDP threshold that had an effect on growth. Put simply, many middle- and high-income countries have developed with much higher external debt-to-GDP thresholds and lower export-to-GDP ratios used by the DSA.

Second, the DSA is not applied to all countries universally – but only to those classed as "developing". By taking a pre-selected list of countries – rather than all countries – reinforces a bias by removing the global context (this is known in economic theory as creating a "market for lemons"). The result is that many debt and financial risks in high-income countries are overlooked and underpriced (e.g. the 2008 financial crisis, the recent SVP crisis in 2023 in the US, etc.), even though these have major domestic and global implications (e.g. on dollar-based interest rates), while those in low and middle-income countries, often more contained due to their economic size – are overpriced. The fact is, the DSA should apply to all countries equally – what is acceptable in surveillance for the G7, or BRICS, should be acceptable for the rest of the world, especially African countries.

Third, some of the metrics used in the DSA do not encourage countries to structurally transform their economies for development and point in the opposite direction. For instance, export-to-GDP ratios can exacerbate a focus on export of natural commodities and the importation of finished goods, resulting in a development model that continuously exposed Africa to economic shocks such as trade shocks, repeated liquidity constraints, as well as macroeconomic management challenges. They all therefore contribute to risk assumption and in some cases dependency.

Fourth, the DSA does not take into account that some (high-quality) debt can be spent to actually spur growth, and therefore can have endogenous growth effects which have a positive effect on balance sheets. For instance, even at the most basic level, the DSA does not distinguish between spending debt to finance recurrent spending (such as civil service salaries) or spending debt to finance capital (e.g. a passenger and cargo railway). In the DSA, both spends are treated exactly the same, even though the latter is arguably creating a long-lasting asset.

Fifth, the DSA also omits data to help financial decision makers understand the need for debt and therefore why debt is necessary. For example, the evidence is clear that African countries have significant needs for infrastructure finance to meet the UN Sustainable Development Goals (SDGs), yet economies that are too small to raise on their own sufficient domestic taxes (“domestic resource mobilization) to pay for the infrastructure.

The AfDB in its 2018 forecasting predicted Africa needed US$130 – US$170 billion per year for infrastructure development for 10 years, with an external financing gap standing at US$68 – US$108 billion up to 2030. We believe that was an underestimate. At DR, we have, to date, estimated the infrastructure financing needs of just 13 African countries to meet the SDGs and Agenda 2063, and found an investment gap adding up to US$108.9 – US$149.9 billion a year to 2030 (Table 2).

By not taking these needs into account, the DSA is effectively locking countries into underdevelopment, by limiting the supply of external finance to them. Therefore, there is a need for a new DSA which is more relevant and applicable to the African continent.

Some potential reforms to the DSA have recently been discussed in a G21 context, in particular inclusion of climate risk within the DSA. However, such reforms are not necessarily in African interests. In fact, inclusion of climate risk could exacerbate the “Market for Lemons” effect discussed above, as incorporating climate change needs has the potential to inflate risk perceptions, thus exacerbating the “African Risk Premium”.

Indeed, we are in an era where more, not less, investment is needed in renewable energy, clean technologies, and clean transportation, which are climate-friendly and necessary for development. Beyond this, there is also a need to take into account African countries' natural capital compared to other countries and regions. Such natural capital has the potential to increase the country's longer-term resources – but the current DSA fails to capture these assets.

*Table 2: Summary of Infrastructure Forecasting Needs for 13 African Countries by Development Reimagined*

| Country | Forecast Annual Spending Trends based on current trends (av. US$) | Forecast Annual Spending Trends based on current trends (% of GDP) | Annual Spend required to meet SDGs & Agenda 2063 (av. US$) | Annual Spend required to meet SDGs & Agenda 2063 (% of GDP per year) |
|---|---|---|---|---|
| Ethiopia | 12 – 16.9 billion | 8 – 12 | 23.6 – 34.8 billion | 17 - 25 |
| Zambia | 4.4 – 6.4 billion | 15 – 22 | 7.4 – 10.8 billion | 26 – 38 |
| Kenya | 5.6 – 8.3 billion | 6 – 8 | 14.5 – 21.4 billion | 14 – 21 |
| Chad | 1.9 – 2.9 billion | 16 – 25 | 3.2 – 5.6 billion | 28 – 49 |
| Rep of Congo | 1.2 – 1.9 billion | 13 – 20 | 3.9 – 5.5 billion | 42 - 58 |
| Morocco | 5.8 – 7.8 billion | 4 – 6 | 13.4 – 18.5 billion | 10 - 14 |
| Mozambique | 4.1 – 5.8 billion | 17 – 24 | 8.9 – 12.7 billion | 36 - 52 |
| Sudan | 2.7 – 3.8 billion | 3 – 5 | 6.7 – 10.2 billion | 9 – 13 |
| Tunisia | 1.8 – 2.4 billion | 4 – 5 | 8.9 – 12 billion | 18 - 24 |
| Ghana | 2.9 – 4 billion | 4.1 – 5.5 | 7 – 9.1 billion | 9.7 – 12.6 |
| Côte d'Ivoire | 2.5 – 3.5 billion | 4 – 5.6 | 8.2 – 10.8 billion | 13.4 – 17.6 |
| Nigeria | 10.2 – 14.3 billion | 2.4 – 3.3 | 53.5 – 70 billion | 12.4 – 16.2 |
| Senegal | 1.2 – 1.6 billion | 4.7 – 6.5 | 6 – 8.1 billion | 24 – 32.6 |
| **Total** | 56.3 – 79.6 billion | | 165.2 – 229.5 billion | |

**Total External Investment Gap:** US$108.9 – US$149.9 billion

*NB: External investment gap here is calculated through the different of SDG/Agenda 2063 forecast spend minus forecast spending based on current trends. It is therefore likely to be an underestimate as current spending often includes a degree of external finance.*

*Sources:*

*Forecasting for Ethiopia, Zambia, Kenya and Chad available here*

*Forecasting for Rep of Congo, Morocco, Mozambique, Sudan and Tunisia available here.*

*Forecasting for Côte d'Ivoire, Ghana, Nigeria and Senegal available here.*

Therefore, there is a challenge in how to include climate factors in a balanced way, to ensure that low-and low-middle income countries can widen their lending portfolio, rather than have it further restricted. If climate risks are included in the DSA, there needs to be an extremely specific framework on what is included, and what is not. It must also be made clear how this will become a component of a broader toolkit on how to support African countries, rather than restrict them.

As such, then, in the G21, the AU should propose five key policy outcomes related to the DSA for G21 members to support - to ultimately benefit the continent's ongoing development:

1. **There is a strong demand from African governments for a reimagined DSA which reflects development and addresses "African risk perception".** African institutions can show leadership on this. African institutions and banks should lead a process, including the IMF and World Bank, to devise a new DSA that aligns with the continent's own development experience and therefore the continent's relationship with external finance.

2. **A new, reimagined DSA should apply to all countries equally**, to avoid the "market for lemons" effect.

3. **A new, reimagined DSA should account for asset creation with debt and natural capital maintenance, not just liabilities.**

4. **Climate factors (esp. risk) should be incorporated into DSA carefully and uniformly across all countries to avoid further excluding African countries from accessing finance.**

5. **The G21 should endorse African countries in producing "homegrown" DSAs which consider a range of scenarios and assumptions.** Most African Ministries of Finance simply accept the IMF and World Bank DSAs, and do not always understand the various scenarios and assumptions, which are often presented as a black box.

However, there are examples of countries, such as Argentina, who have produced their own DSAs and therefore are able to challenge certain assumptions or scenarios – to forecast different results or possibilities. African Ministries of Finance could provide DSAs with scenarios under different contexts, including different sustainability contents, interest, currency and discount rate assumptions.

This will enable countries to design and implement a wider range of policies to lower the cost of capital to align with sustainable development – rather than being mandated to implement IMF designed policies during the point of debt restructuring.

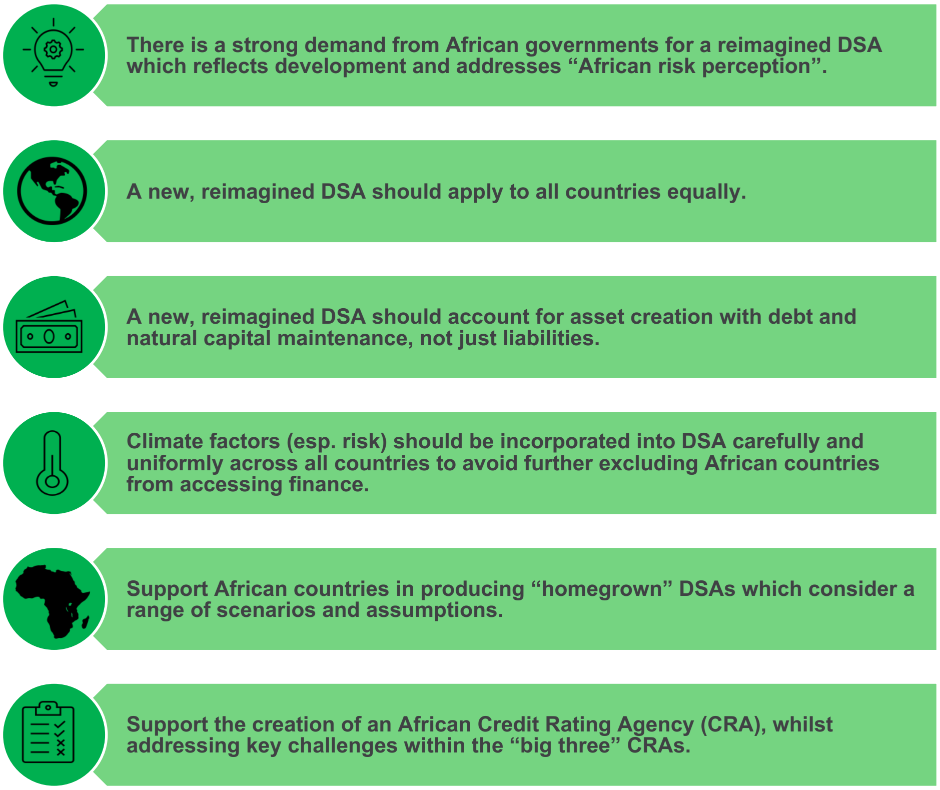


*Figure 7. Key reforms to the DSA.*

# AU's G21 POLICY PRIORITY 4

## G21 Members should Revise the Common Framework in African Interests

Particularly since the COVID-19 pandemic, and the health and spending challenges it created, the international community has been on the search for new solutions to global debt challenges. The first initiative that was announced in this respect by the then-G20 was the Debt Service Suspension Initiative (DSSI), which enabled low-income countries to stop making debt service payments for their bilateral debt. However, the DSSI was very limited by three factors – i) by time (it was only renewed two times established in May 2020 and until December 2021); ii) by scope - all countries still had to pay service on their multilateral and private sector debt; and iii) by eligibility – some African countries did not qualify because they are classified as middle-income countries. Recognizing these limitations, the second step the then-G20 took was to establish the G20 (now G21) Common Framework for Debt Treatment.

The avowed purpose of the Common Framework was to "facilitate timely and orderly debt treatment" – although also targeted only at countries eligible for the DSSI, and excluding multilateral debt. Unlike the DSSI, it had no time-frames in which it had to be delivered.

It was modelled on the Paris Club, an informal group of official creditors comprised in large part by former colonial powers. Importantly, the Paris Club was designed so that the borrower is not in the room for the deliberations or final decision on relief. The rationale for this design was similar to that of early forms of European bankruptcy law in the 1500s, whose main objective is to avoid "moral hazard".

While there are many reasons why this objective is, in fact invalid in a modern setting (see further) the "avoid moral hazard" is the idea that if you let people, firms or even countries get debt relief easily, they'll just spend again, and badly. Like Paris, the G20 Common Framework still did not allow the borrower at the table, but brought in other creditors such as China and India and in some cases the international private sector.

The Common Framework model has proven very unsatisfactory. Zambia, for instance, has been subject to a debt restructuring deal that has taken almost three years to achieve after initial default. There has therefore been significant demand for an "overhaul" of the Common Framework by African Finance Ministers. The question is, what should overhaul look like?

In a great deal of commentary, Common Framework delays have been blamed on differences between creditors, for example differences between creditors that didn't take part in the Paris Club before such as China versus the Paris Club.

On difference of view often mentioned is around a concept known as "comparability of treatment" (i.e. the idea that each creditor should have a somehow "comparable" burden to the other in the debt relief calculation). Similarly, another difference of view is around a concept of "Preferred Creditor Status" (i.e. the idea that some creditors such as multilateral development banks or the IMF should not provide any debt suspension or relief because their balance sheets might be affected negatively, which would in term affect their ability to lend at concessional rates to poor countries).

As a result of these differences, many commentators (condescendingly) suggest non-Paris creditors are "learning" about the rules of the system. However, before accepting this narrative it is important to understand three key data points.

First, delays are not new or a surprise. There are multiple examples of extremely slow negotiations in previous rounds of debt management by the Paris Club (on their own). For instance, Somalia only recently – in late 2023 – achieved its "completion point" under the Highly Indebted Poor Countries Initiative (HPIC), a scheme created in 1996 and which Somalia joined in 2016.

Second, many of the non-Paris Club countries have agreed to relieve debt, in some cases of volumes significantly larger than Paris Club countries, it's just that the relief and restructuring has taken place bilaterally. For instance, over the period 2000-2018, African borrowers were able to negotiate a total of US$2.2 billion in debt relief from China.

Third, multilateral institutions have engaged in debt relief before, just significantly later than bilateral creditors. In the late 2000s, the World Bank, the IMF, and the AfDB relieved US$26.7 billion in debt and between 1970 and 2021, the World Bank relieved at least US$38.4 billion in debt to African countries without affecting their capacity to raise money or lend to debt-distressed countries.

Any improvement or overhaul of the framework should therefore take these key, historical facts into account. In fact, the main overhaul required is for structures for debt relief and debt restructuring to be organized to take into account the perspectives of and maximize inputs of borrowing countries – in this case African countries. Trusting creditors and others to come up with a solution has proven to not only be unhelpful, and in some cases detrimental (for example by enabling and requiring policy conditions on borrowers that lead to more poverty).

The AU could therefore take the opportunity of G21 membership to argue that the overhaul to the Common Framework – even if the exact format is not yet determined - should be based around the following six principles (i.e. its revised function should be the following):

**1.** **There should be clear guidelines and parameters for debt relief/restructuring.**

**2.** **Creditors should share the burden of relief/restructuring, and the benefits of doing so should be articulated.**

**3.** **Debt relief and restructuring should have a clear, short timeline.**

**4.** **There should be potential for customised debt relief/restructuring packages for each borrower.**

**5.** **Creditors should trust each-other and in principle all be covered by debt relief/restructuring.**

**6.** **Debt relief/restructuring should build trust in the borrower's domestic policies for growth and recovery.**

*Figure 8. Six reforms to debt relief/ restructuring negotiations*

**1. There should be clear guidelines and parameters for debt relief/restructuring**. Borrowers have expressed their need for a clear set of rules to avoid confusion and prolonged delays when rules or guidelines are disputed or discussed.

For instance, there remains confusion on which creditors are/aren't involved in the Common Framework and there are no targets for amounts of debt relief to expect, etc. As such, Borrowers should come together to propose a first draft of such rules and guidelines.

**2. Creditors should share the burden of relief/restructuring, and the benefits of doing so should be articulated.** When creditors focus on "moral hazard" and "comparability of treatment", the implication is that the borrower should ideally bear the largest burden. The concept is designed to protect creditors.

However, putting the main burden on borrowers has real, human costs. Governments are forced to choose between financing infrastructure or health projects or having to adopt austerity measures to cut spending. Zambian tax-paying citizens for instance have an average annual income of US$1,140 while US and Chinese tax-paying citizens have an average US$70,000 and US$12,000 annual income, respectively.

There is no question of who should be doing more during a global crisis. Thus, the principle of a fair burden share between borrowers and creditors is essential. To make this case, African borrowers should aim to calculate and publicize the return to debt relief/restructuring to their own citizens as well as to the international community.

**3. Debt relief and restructuring should have a clear, short timeline.** Delays to debt relief and restructuring processes are bad for borrowers. They create uncertainty and prolong periods where a country may forgo taking on debt to invest in growth-producing projects which may drive economic growth in the future.

Borrowers should openly propose a timeline for creditors to meet at the start of relief/restructuring deals, with penalties applied to creditors to hold them accountable for delays and push for rapid movement.

**4. There should be potential for customised debt relief/restructuring packages for each borrower.** Traditionally, the IMF and other Paris Club lenders have applied a 'one-size-fits-all' for creditors' approach to debt relief/restructuring, based on the "comparability of treatment" principle. This means that the IMF and Paris Club aim for a joint appraisal of the minimum necessary to have a sustainable debt pathway and use one common document – the IMF/WB's DSA.

However, this framework has its own challenges, and assumptions are often contested not only by borrowers but also by non-Paris creditors (e.g. China has a different approach to debt sustainability assessment). In many cases, borrowers are looking for a more holistic picture of their economic circumstances.

Borrowers should therefore be supported to propose their own scenarios and parameters for relief/restructuring to its creditors one-by-one, based on lessons/experience of what has been achieved in the past with that creditor, the actual servicing and spending undertaken with the loans, and their own growth aspirations.

**5. Creditors should trust each other and in principle all be covered by debt relief/restructuring.** The Common Framework has exposed a significant lack of trust between creditors themselves (although, as explained above, most creditors have in the past engaged in debt relief/restructuring, even if not collectively).

On the other hand, the potential benefits of the Framework to borrowers has been severely limited by not covering multilateral debt service payments, even though as a proportion of the multilateral's own portfolio and capital dependency, these countries count for very little. Similar reasoning applies for private sector finance.

Thus, an overhauled Framework should enable in principle participation of all creditors in relief/restructuring (i.e. it should eschew the concept of PCS) while enabling borrowers to make their informed decision on the balance between relief and new financing from each creditor.

**6. Debt relief/restructuring should build trust in the borrower's domestic policies for growth and recovery.** The general assumption of the international finance system and existing debt relief/restructuring framework as it stands is that borrowers who fall into debt challenges have "spent badly". Hence, during debt relief/restructuring processes creditors such as the IMF tend to insist on new policies to reform or restrict new spending, known as "austerity measures".

A new Framework should instead constrain the ability of creditors to impose policy reforms as a condition of debt relief/restructuring. This question should be left to borrowing governments and their citizens (who have more often than not elected their governments) to determine.

# AU's G21 POLICY PRIORITY 5

## G21 Members Should Actively Support Delivery of The African Union's Infrastructure Agenda

Infrastructure is the foundation of sustainable economic development. In Africa, its importance and its recognition as a development priority are reflected in national development goals across the continent, collectively at continental level through the AU's Agenda 2063, and globally in the United Nations' 17 SDGs. Infrastructure ranges from roads and railways that enable the movement of people and goods from one point to another, to airports and seaports that plug massive distance gaps between countries and continents, and telecommunication networks such as fibre optics that simplify global communication, information access and its distribution.

Without high quality transport infrastructure, such as well paved roads and functional railway systems, the cost of transportation inflates the prices of goods and services in a country, deterring investment and slowing down economic growth and development.

Without high quality air and seaports, the cost of traveling to and from a country, as well as the cost of doing business with a country is also inflated. Without telecommunication, a country risks lagging in an increasingly digital world or becoming isolated because of poorly maintained and poorly connected information communication technology.

In addition, there is misalignment on infrastructure development plans and priorities. As a continent, there is a commitment to connecting African countries and the continent's Regional Economic Communities (RECs) through the Programme for Infrastructure Development in Africa (PIDA) - a shared vision of an interconnected and collaborative continent with robust infrastructure facilitating trade in the African Continental Free Trade Area (AfCFTA), as well as the free movement of people, goods, and services across the continent.

Such misalignment represents the need for RECs to target infrastructure that is trans-national and infrastructure that helps connect RECs by pooling resources and effort towards PIDA projects. The goal of an interconnected Africa can only be realized when African countries work together to prioritize and accelerate the continent's infrastructure development. Once African countries are aligned on shared infrastructure development priorities, the AU will have clarity on which infrastructure development support to advocate for internationally in its engagement with G21 peers.

Three key challenges hindering Africa's progress on infrastructure development are; information gaps on the nature and scale of infrastructure needs of all African countries (especially infrastructure needs to meet the SDGs and Agenda 2063, above and beyond current (slow) trends); a shortage of cheap finance or "patient capital" for long-term investments like infrastructure, and the absence of innovative financing mechanisms that are able to enable Africa's trans-national infrastructure projects. The latter is particularly crucial. Right now, for instance, if three countries plan to take forward a cross-country infrastructure project, the financial approach most Multilateral Development Banks take is to divide the project up for financing into three country components, and price in the risk that one of the country projects may not go ahead on time, etc. This financial model actively discriminates against cross-country infrastructure projects, making them less feasible than within-country projects. But other approaches are possible.

As such, the AU should call on the G21 to support the continent's infrastructure challenges by:

**1. Expanding analysis on infrastructure investment needs for African countries.** There are significant information gaps on what types of infrastructure countries need, and how much it may cost to invest in these infrastructure needs.

Through initiatives like the G20 Global Infrastructure Hub (GI Hub), the AU should add Africa's infrastructure development to the G21's agenda and call for the expansion of GI Hub's Infrastructure Outlook portfolio to include all African countries, as it currently only covers 15 African countries. Africa's infrastructure investment gaps must be clear for all African countries and development partners to mobilize the resources required to fill these gaps.

**2. Increase concessional finance for Africa's infrastructure development in both low and middle-income countries**. There is an urgent need for more cheap finance to fund the continent's infrastructure development needs. While there are strong arguments for the structural transformation and endogenous growth that infrastructure enables – for instance, a 2020 working paper by the Asian Infrastructure Investment Bank found that low quality infrastructure is associated with larger trade deficits – infrastructure development is long-term and should not be expected to give immediate, monetizable returns on investment.

African countries face trade-offs between servicing expensive debt and making much-needed infrastructure investments. On the other hand, global development partners in the G21 can sustainably fund the continent's infrastructure needs.

**3. Working to announce new syndicated large funds with mechanisms to pool risk to develop Africa's cross-country infrastructure projects.** Traditional approaches to Africa's infrastructure financing exacerbate risk between African countries and across RECs. Instead, new approaches that allow countries to share risk and therefore reduce the cost of cross-country projects should be developed.

These approaches should underpin new funds at the G21, which enable a collective mobilization of funds to further distribute the financing burden for such flagship projects, and thereby lower medium and long-term development costs for African countries.

# AU's G21 POLICY PRIORITY 6

## G21 Members Should Support Capital Increases At MDBs That Are Targeted Towards Africa

In 2018, the World Bank's Board of Governors' Development Committee approved a Capital Increase Package (CIP) for the International Bank for Reconstruction and Development (IBRD) and the International Finance Corporation (IFC). The agreement included a US$7.5 billion paid-in capital increase for the IBRD and a US$5.5 billion paid-in capital increase for the IFC, comprising both General Capital Increase (GCI) and Selective Capital Increase (SCI). Additionally, the package included a US$52.6 billion increase in callable capital for the IBRD. Further, the subscription period for the general and selective capital increase was extended from October 1, 2023, to October 1, 2025.

While this increase was promoted and welcomed as helpful for all low and middle-income countries, the degree to which African countries –in reality - benefitted from this increase in capital is highly debatable. This is for four, somewhat inter-related reasons.

First, and as shown in Figure 9 overleaf, out of the 54 African countries that are members of the World Bank, 14 countries are eligible to borrow from the IBRD (only), a further 6 countries are eligible to borrow from both the IDA and IBRD (they are known as blend countries, while the rest, another 34 countries can only borrow from the International Development Association (IDA). This is because IDA-eligible countries have per capita GDP below US$1315 while IBRD-eligible countries exceed this threshold. However, the average poverty rate in IDA-eligible African countries is about 48%, and it is 30% for IBRD-eligible African countries.

African countries make up the bulk of the demand for IDA resources – accounting for 64% and 73% of IDA's total commitments during its 18th and 19th funding cycles respectively. Yet, the IDA does not have sufficient resources to meet this demand. For instance, Development Reimagined estimated that African countries allocated a total of US$63 billion in their budgets to COVID19 in FY21. Yet, the IDA's total commitments in FY21 were only USD36 billion for all IDA-eligible countries, almost half of what Africa alone needed for its recovery.


*Figure 9. IDA/IBRD Access for African Countries*

Second, while IDA lends at highly concessional rates, the IBRD lends at market rates. Thus, for those countries that were eligible to benefit from the IBRD capital increase, in some ways they were accepting a second-best outcome. Their first best outcome would have been to continue to access cheap IDA finance, even as they grow.

Indeed, the World Bank's financing model imposes a penalty on growth – because concessional lending significantly decreases as a country's economy grows, even from a very low starting point.

Third, while a capital increase to the IBRD is determined through an overall calculation and quota arrangement, IDA depends on voluntary contributions from donor countries. Thus, transfers from the IBRD actually contribute to the IDA's capital base. However, the last capital increase for the IBRD was accompanied by a reduction in IBRD transfers to the IDA. Between 2018-2019 when the last IBRD capital increase was approved, IBRD lending to Africa increased by just 0.15%, rising from US$248 million to US$259 million.

Overall, IBRD transfers to the IDA have been on a steady decline over the past decade. Between 2015-2023, transfers declined from US$650 million to less than US$300 million. This directly affects the IDA's ability to meet the huge financing needs of African countries, especially at a time of fiscal contraction.

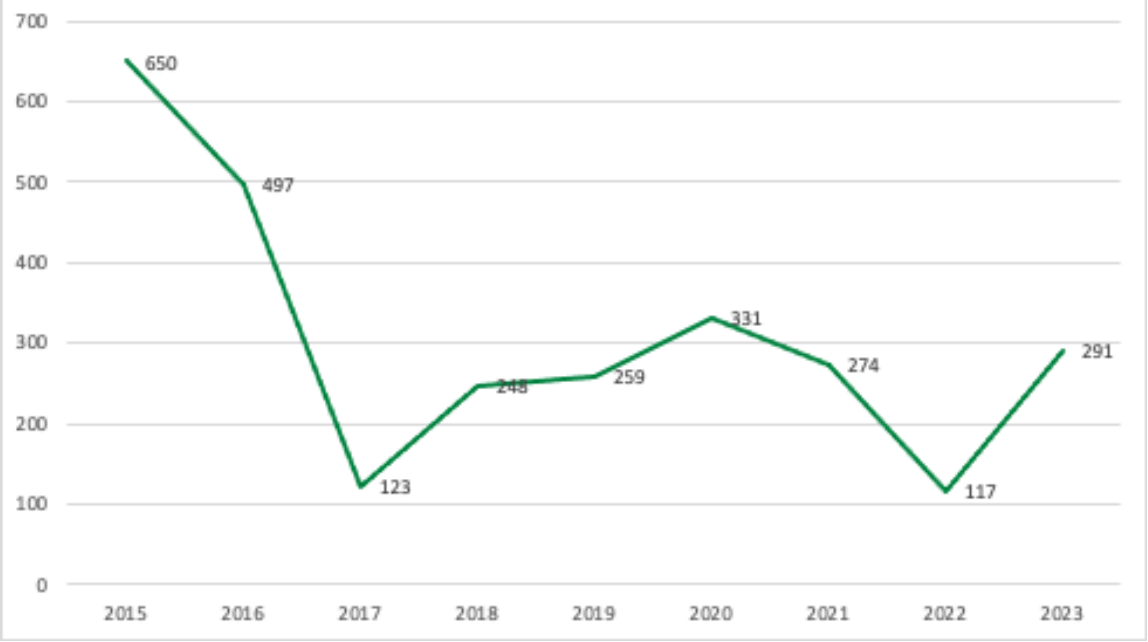


*Figure 10. IBRD Transfers to IDA (2015-2023, millions US$)*
*Source: World Bank 2023*

Fourth, as the actual deployment of IBRD's (and IDAs) lending to Africa depends on the demand of African countries, weighing up all of these factors as well as any policy conditions that come with the loans (e.g. poverty reduction plans, austerity measures, etc), the share of its total assets held by African countries has remained meagre over the last five years, despite the capital increase approved in 2018 (see Figure 11 overleaf).

Between 2017-2018, IBRD lending to Africa as a proportion of the Bank's total assets increased slightly from 0.2% to 0.3%, a mere 0.1 percentage point change. However, between 2018-2019, this figure fell back to 0.2%; it rose to 0.4% in 2020 before falling to 0.1% in 2021. In 2023, it was just 0.6% of the Bank's total assets, 0.3 percentage points less than in 2022. Meanwhile, the 17 African countries holding and servicing IBRD loans today face higher interest rates and shorter maturity periods relative to their peers serviced by the IDA.

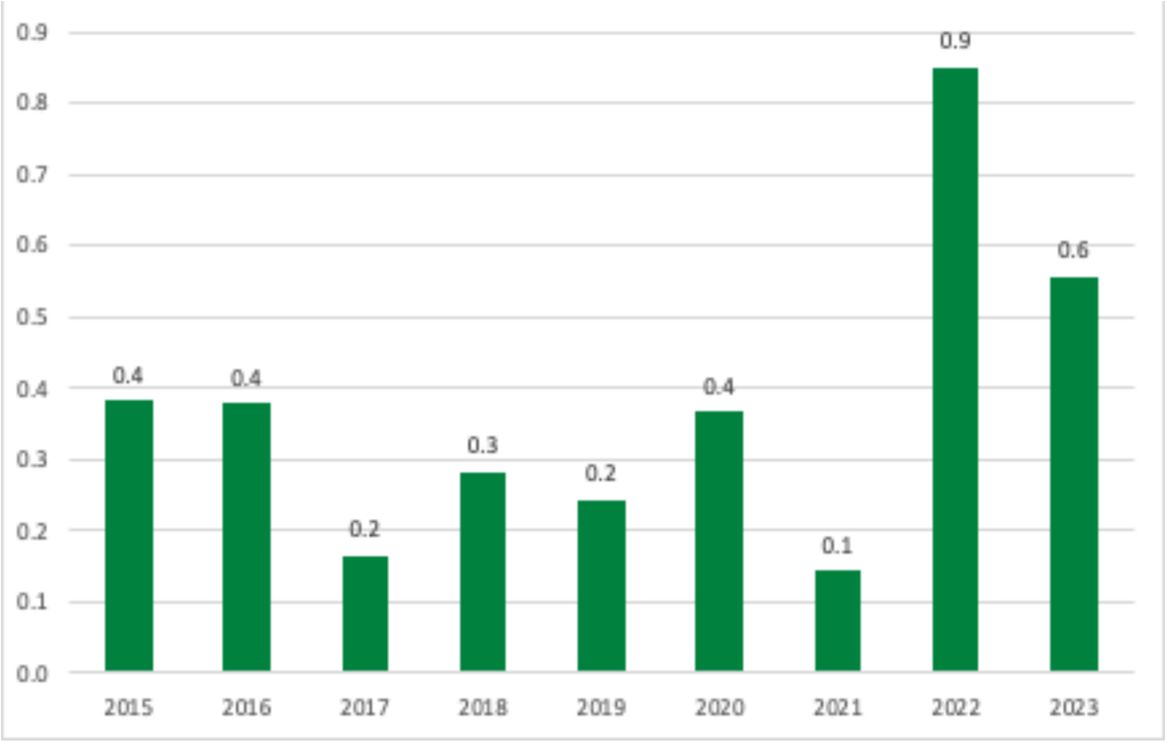


*Figure 11. IBRD Lending to Africa (as a percentage of total IBRD assets)*
*Source: World Bank 2023*

Due to these four factors, the last capital increase for the IBRD did not translate into more lending to African countries, and it is unlikely it will do so now. So how have these disappointing outcomes occurred, despite the best development intentions?

The lack of diversity in the World Bank's governance structure and staffing has certainly played a part. The lack of understanding of the African perspective has affected decision-making both in terms of direction as well as operations. However, diversity comes with several benefits for the Bank's efficiency and effectiveness including speedy resolutions to challenges and elimination of groupthink. Against this background, the AU should call for the G21 to work towards four key items.

**1. In the short-term, agreement that any capital increase for the Bank should be tied to a proportional increase in funding for African countries to support their development priorities**. In practice this would mean tying an IBRD capital increase to a proportional increase in 1) IBRD transfers to the IDA; 2) IBRD funding to eligible African countries; and 3) a standalone IDA increase.

**2. In the short-term, agreement to increase African representation in the World Bank**. The diversity of senior leadership, staff and consultants at all levels should reflect the regions they serve rather than shareholders. The Bank's targets for African representation should be increased well beyond the current targets of 12.5%.

**3. In the medium-to-long-term, reform of the World Bank** to tackle some of the perverse incentives and conditions of the IDA-IBRD system – e.g. to eliminate or increase the thresholds for IDA eligibility, etc.

**4. G21 members should commit to at least double their contributions to the IDA to enable it meet the ever-growing demand from its members.** At the same time, G21 members countries should support an increase in the IDA's Regional Window allocation for Africa from 75% to 85% given that Africa has the highest demand for IDA regional resources.

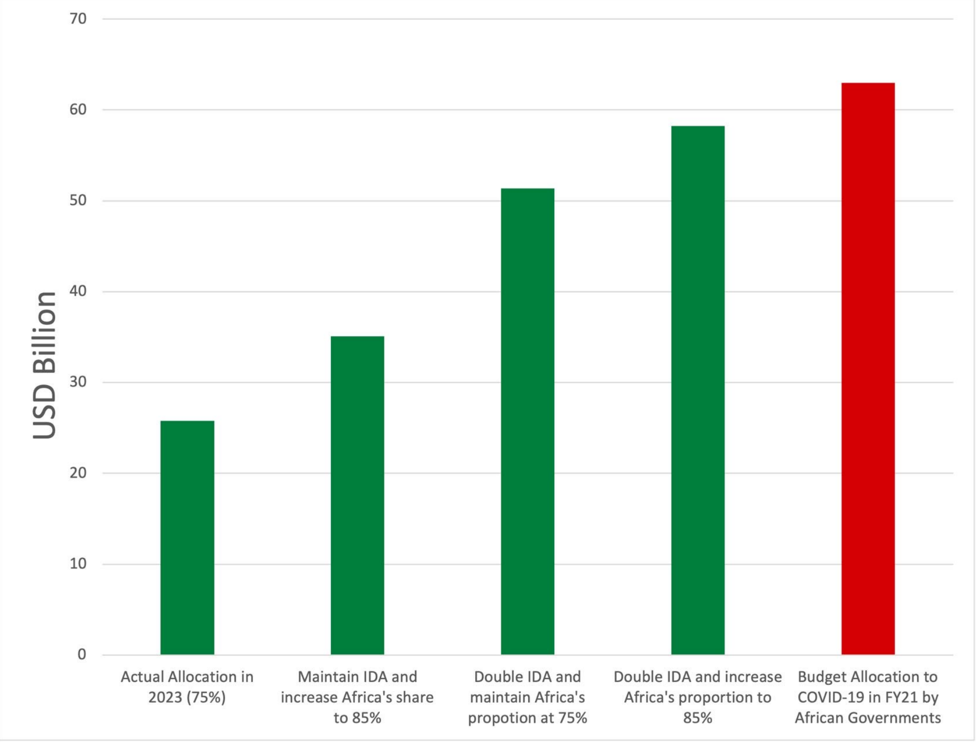


*Figure 12: Impact of Doubling IDA Contributions and Increasing Africa's*

## Next Steps for the AU's Engagement with the G21

This policy brief has been intended to support the African Union and other policymakers in their engagement with the G21 forum. As a next step, this policy brief can be used to present African priorities on key issues within the international finance system to the G21 members, including the language used.

Further, this brief suggests that the Brazilian Presidency supports the facilitation of an AU-G21 Working Group, composed of relevant experts and policymakers, to focus on financial and economic matters of mutual concern.

Through regular meetings, this working group can formulate cohesive policy recommendations, ensuring that the AU's priorities are effectively integrated into the G21's policy framework, making the G21 Brazilian Presidency a successful and fruitful first year for the African Union and the continent.

# Next Steps for the AU's Engagement with the G21

Table 3 outlines the possible meetings of the G21 based on those that took place in 2023 under India's leadership and proposes African representation from the African Union.

*Table 3: Proposed African representation from the AU.*

| Meeting | Proposed Representative |
|---|---|
| Health Working Group Meeting<br>*February 22 \| April 8 to 11 \| June 3 to 6 \| October 29 to 31.* | **Dr. Margaret Agama-Anyetei**<br>Acting Director for Health, Humanitarian Affairs, and Social Development at the African Union<br><br>**H.E. Amb Minata Samaté Cessouma**<br>Commissioner for Health, Humanitarian Affairs and Social Development |
| International Financial Architecture Working Group<br>*January 25 and 26 \| March 25 and 26 \| June 10 to 12 \| September 5 and 6.* | **Mr. Gilbert Edoa**<br>Chair of the Specialised Technical Committee on Finance, Monetary Affairs, Economic Planning and Integration<br><br>**H.E Albert M. Muchanga**<br>Commissioner for Economic Development, Trade, Tourism, Industry and Minerals |
| Education Working Group<br>*February 5 and 6 \| May 20 to 22 \| July 7 to 10 \| October 29 to 31.* | **Chair STC - EST**<br><br>**H.E. Prof. Mohamed Belhocine**<br>Commissioner for Education, Science, Technology and Innovation |
| Employment Working Group<br>*February 20 \| March 27 to 29 \| May 29 to 31 \| July 23 to 26.* | **Ms. Amongi Betty Ongom**<br>Chair of the Specialised Technical Committee on Social Development, Labour and Employment<br><br>**H.E. Amb Minata Samaté Cessouma**<br>Commissioner for Health, Humanitarian Affairs and Social Development |

## Next Steps for the AU's Engagement with the G21

| Meeting | Proposed Representative |
|---|---|
| Sustainable Finance Working Group<br>*February 5 and 6 \| April 1 and 2 \| July 9 and 10 \| September 9 and 10.* | **Mr. Gilbert Edoa**<br>Chair of the Specialised Technical Committee on Finance, Monetary Affairs, Economic Planning and Integration<br><br>**H.E Albert M. Muchanga**<br>Commissioner for Economic Development, Trade, Tourism, Industry and Minerals |
| Energy Transitions Working Group<br>*February 19 and 20 \| April 15 and 16 \| May 27 to 29 \| September 30 to October 2 \| October 4.* | **Mr. Matjato Moteane**<br>Chair of the Specialised Technical Committee on Transport, Infrastructure, Intercontinental and Interregional Infrastructure, Energy and Tourism<br><br>**H.E. Amani Abou-Zeid**<br>Commissioner for Infrastructure and Energy |
| Tourism Working Group<br>*February 28 and 29 \|May 2 and 3 \| June 30 to July 1 \| September 19 to 21.* | **Mr. Matjato Moteane**<br>Chair of the Specialised Technical Committee on Transport, Infrastructure, Intercontinental and Interregional Infrastructure, Energy and Tourism<br><br>**H.E Albert M. Muchanga**<br>Commissioner for Economic Development, Trade, Tourism, Industry and Minerals |
| Environment and Climate Working Group<br>*January 29 and 30 \| April 11 and 12 \| June 19 to 21 \| October 1 to 3.* | **Mr. El Sayed Al Quseir**<br>Chair of the Specialised Technical Committee on Agriculture, Rural Development, Water and Environment<br><br>**H.E. Josefa Leonel Correia Sacko**<br>Commissioner for Agriculture, Rural Development, Blue Economy, and Sustainable Environment |

# Next Steps for the AU's Engagement with the G21

| Meeting | Proposed Representative |
|---|---|
| Agriculture Working Group<br>*February 19 \| April 29 and 30 \| June 11 to 12\| September 10 and 11.* | **Mr. El Sayed Al Quseir**<br>Chair of the Specialised Technical Committee on Agriculture, Rural Development, Water and Environment<br><br>**H.E. Josefa Leonel Correia Sacko**<br>Commissioner for Agriculture, Rural Development, Blue Economy, and Sustainable Environment |
| FMCBG and FCBD Meeting<br>*February 26 to 29 \| April 16 to 18 \| August 22 and 23 \| August 25 and 26 \| October 22 to 24.* | **Chair of the African Union**<br>(on a rotational basis)<br><br>**H.E. Moussa Faki Mahamat**<br>Chair of the African Union Commission<br><br>**Mr. Buah Saidy**<br>Chair of the Association of African Central Banks (AACB) |
| Culture Working Group<br>*March 13 and 14 \| April 22 and 23 \| June 12 to 14 \| October 15 to 18.* | **Chair STC-YCS** |
| Foreign Ministers Meeting<br>*February 21 and 22.* | **Chair of the African Union**<br>(on a rotational basis)<br><br>**H.E. Moussa Faki Mahamat**<br>Chair of the African Union Commission |

## Next Steps for the AU's Engagement with the G21

| Meeting | Proposed Representative |
|---|---|
| Global Partnership for Financial Inclusion<br>*March 13 to 15 \| July 1 to 3 \| September 23 to 25.* | **Mr. Gilbert Edoa**<br>Specialized Technical Committee on Finance, Monetary Affairs, Economic Planning and Integration<br><br>**H.E Albert M. Muchanga**<br>Commissioner for Economic Development, Trade, Tourism, Industry and Minerals |
| Joint Finance-Health Task Force<br>*February 1 \| May 15 \| September 9.* | **Mr. Gilbert Edoa**<br>Specialized Technical Committee on Finance, Monetary Affairs, Economic Planning and Integration<br><br>**Dr. Margaret Agama-Anyetei**<br>Acting Director for Health, Humanitarian Affairs, and Social Development at the African Union |
| Sustainable Finance Working Group<br>*February 5 and 6 \| April 1 and 2 \| July 9 and 10 \| September 9 and 10.* | **Mr. Gilbert Edoa**<br>Specialized Technical Committee on Finance, Monetary Affairs, Economic Planning and Integration<br><br>**H.E Albert M. Muchanga**<br>Commissioner for Economic Development, Trade, Tourism, Industry and Minerals |
| Research and Innovation WG<br>*February 7 and 8 \| March 11 and 12 \| May 22 and 24 \| September 16 to 19.* | **Chair STC-YCS**<br><br>**H.E. Prof. Mohamed Belhocine**<br>Commissioner for Education, Science, Technology and Innovation |

## Annex I: Overview of Priority Areas and 2023 Declaration.

| Priority | 2023 Declaration |
|---|---|
| **Priority 1: Reimagine the IMF Quota System.** | "We reiterate our commitment to a strong, quota-based, and adequately resourced IMF at the centre of the global financial safety net. We remain committed to revisiting the adequacy of quotas and will continue the process of IMF governance reform under the 16th General Review of Quotas (GRQ), including a new quota formula as a guide, and ensure the primary role of quotas in IMF resources, to be concluded by December 15, 2023."<br>*Page 21, point 53.* |
| **Priority 2: G21 Members facilitating SDR reallocation to the AfDB.** | "The G20 reiterates its continued support to Africa, including through the G20 Compact with Africa. We look forward to further progress on the exploration of viable options for voluntary channeling of SDRs through MDBs, while respecting relevant legal frameworks and the need to preserve the reserve asset character and status of SDR. We look forward to review of precautionary arrangements and take note of the discussions held on the IMF surcharge policy."<br>*Page 21, point 53*. |
| **Priority 3: G21 to support DSA reform.** | There is no mention of DSA reform specifically in the communique, however, parallel points have been made in the *Reforming International Financial Institutions* section (page 19).<br><br>"The 21st century also requires an international development finance system that is fit for purpose, including for the scale of need and depth of the shocks facing developing countries, in particular the poorest and most vulnerable. We are working to deliver better, bigger and more effective MDBs by enhancing operating models, improving responsiveness and accessibility, and substantially increasing financing capacity to maximise development impact."<br>*Page 19, point 48*.<br><br>"We remain committed to pursuing ambitious efforts to evolve and strengthen MDBs to address the global challenges of the 21st century with a continued focus on addressing the development needs of low- and middle-income countries"<br>*Page 20, point 49*. |

Source: G20 New Delhi Leaders' Declaration New Delhi, India, 9-10 September 2023

## Annex I: Overview of Priority Areas and 2023 Declaration.

| Priority | 2023 Declaration |
|---|---|
| **Priority 4: Revision of the Common Framework** | "We continue to stand by all the commitments made in the Common Framework for Debt Treatments beyond the DSSI … and step up the implementation of the Common Framework in a predictable, timely, orderly and coordinated manner. To this end, we call for continued discussion on policy-related issues linked to the implementation of the Common Framework for making appropriate recommendations. We welcome the recent agreement between the Government of Zambia and the official creditor committee on debt treatment and look forward to a swift resolution. We welcome the formation of the official creditor committee for Ghana and look forward to an agreement on a debt treatment as soon as possible. We also call for a swift conclusion of the debt treatment for Ethiopia." *Page 21, point 54.* |
| **Priority 5: G21 Members should align with AU Agenda 2063 and Infrastructure Development.** | "We welcome the African Union as a permanent member of the G20 and strongly believe that inclusion of the African Union into the G20 will significantly contribute to addressing the global challenges of our time… We commit to strengthen our ties with and support the African Union realise the aspirations under Agenda 2063. We also reiterate strong support to Africa, including through the G20 Compact with Africa and G20 Initiative on supporting industrialization in Africa and LDCs." *Page 28, point 76.* |
| **Priority 6: G21 Members should support capital increase at MDBs.** | "We endorse the G20 Roadmap for Implementing the Recommendations of the G20 Independent Review of MDBs Capital Adequacy Frameworks (CAFs) and call for its ambitious implementation…Going forward, we also encourage MDBs to collaborate in areas such as hybrid capital, callable capital, and guarantees. We appreciate the enhanced dialogue between the MDBs, Credit Rating Agencies and shareholders and encourage continued transparency in the exchange of information and rating methodologies." *Page 20, point 50.* |

Source: G20 New Delhi Leaders' Declaration New Delhi, India, 9-10 September 2023

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