



International liaison, dialogue and research

Reg no: 2006/020285/08

The Southern African Liaison Office (NPC)

Regus - Black River Park
1st Floor, Block B, North Park, Black River Park
2 Fir Street, Observatory, Cape Town, 7925

Email: info@salo.org.za

www.salo.org.za

[@salo_info](https://twitter.com/salo_info)

Policy Brief

12 December 2024

Zoom Online Platform

SALO Public Dialogue:

The State of the G20 Compact with Africa, and Africa's Perspective on the G20 Going Forward

By Tebogo Lekubu, SALO



Executive Summary

The Southern African Liaison Office (SALO) in collaboration with the Rosa Luxemburg Foundation, hosted a public multi-stakeholder dialogue titled, *“The State of the G20 Compact with Africa, and Africa’s Perspective on the G20 Going Forward”* on the 12th of December 2024. Against the backdrop of a rapidly shifting geopolitical landscape, this discussion convened key experts to discuss the role of the G20 Compact with Africa (CwA), its impact, and the future of Africa’s engagement with the G20 under South Africa’s presidency. The dialogue featured insights from His Excellency Mr Mandisi Mpahlwa, High Commissioner of South Africa to Rwanda who served as South Africa’s G20 Sherpa in 2010; Lebogang Ramafoko, Executive Director, Oxfam South Africa; and Peta Wolpe, Energy and Climate Change Practitioner.

The objectives of this public dialogue were to:

- assess the progress and impact of the G20 CwA since its launch in 2017.
- examine Africa’s role and influence within the G20, particularly in light of South Africa’s presidency.
- evaluate policy recommendations for improving the CwA’s effectiveness, including stronger alignment with poverty reduction initiatives and sustainable development goals.
- and to explore key issues such as climate financing, the Just Energy Transition, sustainable infrastructure, and economic growth strategies for Africa.

Context and Importance

The Compact with Africa

The CwA was initiated by Germany during its 2017 G20 Presidency, in tandem with key multilateral partners such as the African Development Bank (AfDB), International Monetary Fund (IMF), and the World Bank Group (WBG). The rationale and aims of the CwA were laid out in the *G20 Compact with Africa: A Joint AfDB, IMF, and WBG Report*¹. In essence, the CwA seeks to enhance the effectual integration of African countries into the global economy. The CwA primarily focuses on African countries facing various economic policy related challenges, including debt sustainability, low levels of growth, and inadequate levels of foreign investment. The German government states that the CwA seeks to improve:

*“the macroeconomic, business and financing frameworks for private investment (both domestic and foreign) through national and concerted action of all stakeholders on the priorities of the African countries, including in the form of capacity building measures”.*²

¹ G20 Finance Ministers and Central Bank Governors Meeting. 2017.

<https://stg.imfconnect.org/content/dam/Compact%20with%20Africa/2017-03-30-g20-compact-with-africa-report.pdf> [25 February 2025]

² G20 Germany. 2017. *Annex to G20 Leaders Declaration: G20 Africa Partnership*. 8 July. Available: https://www.g20germany.de/Content/DE/Anlagen/G7_G20/2017-g20-annex-partnership-africa-en_blob=publicationFile&v=6.pdf [20 February 2025].

The aims noted above by the German government indicate that the CwA is highly dependent on the agency and proactiveness of the African countries which have signed up for the initiative. Specifically, in relation to the reforms they are able to enact with regard to macroeconomic policy and investment incentives. The following thirteen African countries have joined the initiative to date: Benin, Burkina Faso, Côte d'Ivoire, Democratic Republic of the Congo, Egypt, Ethiopia, Ghana, Guinea, Morocco, Rwanda, Senegal, Togo, and Tunisia

. Recent preliminary research³ points to what appears to be a correlation between the implementation of CwA-related reforms and positive economic growth among the countries signatory to the CwA. The prescriptions put forward in the joint *G20 Compact with Africa* report⁴ seek to:

- *“Enhance the macroeconomic policy framework by sustainable public debt management, increasing domestic revenue mobilisation via an investment-friendly tax system, combining domestic tax reforms, containing profit-shifting and tax evasion, ensuring sound public investment management, and improving the performance of public utilities”.*
- *“Improve the business framework by implementing reliable regulation and institutions, improving investor protection and dispute resolution mechanisms, providing political risk insurance, improving project preparation facilities and standardising contracts”.*
- *“Support the financing framework by developing incentive-compatible risk mitigation instruments, domestic banking sectors and debt markets, including in local currency and mobilising private finance from institutional investors”.*⁵

However, noting that these policy prescriptions were formulated prior to the COVID-19 pandemic, and several climate change-related disasters across the continent since 2017, it would be important to understand how African economists, policymakers and development practitioners perceive them today. South Africa's G20 Presidency allows a unique opportunity to evaluate and review the CwA, especially as part of its 'African Agenda' outlook. Furthermore, South Africa could advocate for greater alignment between the CwA and more “bottom-up” oriented poverty reduction programmes such as the prescient and unrealised 2008 SADC Poverty Reduction Strategy. Such an approach would enable greater G20 support for national and localised solutions to persistent challenges of economic marginalisation, characterised by unsustainably high levels of unemployment and informality within the SADC region and across the continent.

Germany and South Africa, as strong global partners, could work to resuscitate and retool the important programmes introduced by the G20 during Germany's 2017

³ Fleuriot, V. & Vertier, P. 2024. What impact does the Compact with Africa have on African economies? *Banque de France*. 29 May. Available: https://www.banque-france.fr/system/files/2024-05/Blog_356_EN.pdf [20 February 2025].

⁴ G20 Finance Ministers and Central Bank Governors Meeting. 2017. <https://stg.imfconnect.org/content/dam/Compact%20with%20Africa/2017-03-30-g20-compact-with-africa-report.pdf> [25 February 2025]

⁵ G20 Germany. 2017. *Annex to G20 Leaders Declaration: G20 Africa Partnership*. 8 July. Available: https://www.g20germany.de/Content/DE/Anlagen/G7_G20/2017-g20-annex-partnership-africa-en_blob=publicationFile&v=6.pdf [20 February 2025].

Presidency, such as the G20 Initiative for Rural Youth Employment and the Women Entrepreneurs Finance Initiative, especially as South Africa has adopted equality and sustainable development as its core G20 Presidency themes.

Dr Tawanda Sachikonye, chairing the multi-stakeholder dialogue, set the stage for an in-depth exploration of the CwA and Africa's evolving role within the G20 framework. He pointed out that the initiative has sparked significant debate, with some critics labelling it as a repackaging of conventional economic policies that do not sufficiently address Africa's pressing socio-economic challenges. He also noted the importance of South Africa's G20 presidency as a crucial moment for the continent to redefine its role within global economic structures and advocate for policies that prioritise African interests.

Economic Justice and Debt Sustainability

Ambassador Mandisi Mpahlwa emphasised the significance of the CwA as a framework aimed at improving macroeconomic stability, debt sustainability, and investment incentives for African economies. He noted that while the CwA has yielded some economic benefits, its orthodox approach to economic reforms has raised concerns. In his view, *"the Compact is a voluntary initiative, but its impact remains uncertain. We need to ensure that Africa drives its own development agenda"*.⁶ The initiative has, however, struggled to attract a broader range of African participants, with only thirteen countries signing up. Many analysts argue that while the Compact creates a framework for reform, it does not provide direct financial support, leaving the onus on African nations to independently attract investment. Moreover, concerns have been raised about its reliance on conventional economic policy prescriptions, which may not align with the unique challenges faced by African economies.

The impact of the CwA has varied across participating nations, as demonstrated by the cases of Rwanda and Ghana. As a participant in the CwA, Rwanda has implemented significant business-friendly policies aimed at attracting foreign direct investment. The country has streamlined regulatory processes, improved infrastructure, and promoted public-private partnerships, leading to increased investments in the tech and infrastructure sectors. In 2023, the Rwanda Development Board recorded USD 2.4 billion in new investment registrations, reflecting the country's efforts to streamline regulatory processes and improve infrastructure.⁷ These efforts have contributed to Rwanda's strong economic growth and improved investor confidence.

Conversely, despite engaging with the Compact, Ghana has struggled with persistent debt burdens that have undermined its economic stability. While Ghana has implemented reforms to attract investment, the country has faced rising external debt, currency depreciation, and economic volatility. In 2022, public debt escalated to 92.7% of GDP, leading to economic instability. The government restructured bonds in 2023 to secure a USD 3 billion IMF bailout, impacting both investors and the broader

⁶ Mpahlwa, M. 2024. SALO Public Dialogue: The State of the G20 Compact with Africa, and Africa's perspective on the G20 Going Forward. *Southern African Liaison Office*. 12 December. Available: <https://www.salo.org.za/salo-public-dialogue-the-state-of-the-g20-compact-with-africa-and-africas-perspective-on-the-g20-going-forward-12-dec-2024/> [20 February 2025].

⁷ Rwanda Development Board. 2023. *Annual Report 2023*. Available: <https://rdb.rw/ar/2023-RDB-AR.pdf> [20 February 2025].

economy.⁸ Critics argue that the CwA does not sufficiently address structural economic challenges such as debt sustainability. These case studies highlight the need for the Compact to adopt a more flexible and country-specific approach rather than applying standardised economic policies across all participants. South Africa's G20 presidency provides a crucial opportunity to reassess these approaches and advocate for more inclusive, homegrown strategies.

Another area of focus was global economic inequality, highlighting that Africa continues to suffer from unjust financial architectures. Africa currently spends approximately USD 70 billion annually on debt servicing, a significant portion of national budgets that could otherwise be invested in infrastructure, economic development, and social services such as healthcare and education. Panellists noted that international financial institutions need to adopt more progressive debt relief mechanisms and consider restructuring African debt to allow for greater fiscal space. Additionally, tax justice was emphasised as a key component of economic transformation, with calls for enhanced mechanisms to prevent tax evasion and illicit financial flows – which costs Africa billions in lost revenue annually. As expressed by Lebogang Ramafoko, there is a need for a global tax standard that ensures that the wealthiest pay their fair share.

Climate Financing and the Just Transition

Peta Wolpe underscored the urgency of climate financing, particularly in the context of Africa's Just Energy Transition. She pointed out that Africa accounts for only 6% of global energy consumption despite being home to 18% of the world's population. She stressed that climate financing should be grant-based rather than loan-based to prevent the deepening of Africa's debt crisis. Africa requires at least USD 277 billion annually to meet climate adaptation and mitigation needs, yet financing commitments from developed nations have consistently fallen short. The lack of predictable and accessible climate funds exacerbates the vulnerabilities faced by African nations, which are disproportionately impacted by climate change despite contributing the least to global emissions.

Wolpe also explored the intersection between energy poverty and social justice, noting that many African households are forced to choose between food and electricity. She noted that *“even when electricity is available, many cannot afford it, leading to continued reliance on unsafe energy sources”*.⁹ The lack of equitable energy access disproportionately affects women and marginalised communities, highlighting the need for gender-sensitive climate policies. Women, particularly those in rural areas, are most affected by energy poverty, as they often spend hours gathering firewood, leading to lost economic opportunities and exposure to harmful pollutants. It was noted that Africa's energy transition must prioritise decentralised renewable energy solutions that are accessible to low-income populations, alongside policies that ensure energy affordability and equity.

⁸ Adombila, M. A. 2024. Ghana's economic crisis looms over impending elections. *Reuters*. 2 December. Available: <https://www.reuters.com/world/africa/ghanas-economic-crisis-looms-over-impending-elections-2024-12-02/> [20 February 2025].

⁹ Wolpe, P. 2024. SALO Public Dialogue: The State of the G20 Compact with Africa, and Africa's perspective on the G20 Going Forward. *Southern African Liaison Office*. 12 December. Available: <https://www.salo.org.za/salo-public-dialogue-the-state-of-the-g20-compact-with-africa-and-africas-perspective-on-the-g20-going-forward-12-dec-2024/> [20 February 2025].

Governance, Inclusivity, and Africa's Role in the G20

Ambassador Mpahlwa highlighted that South Africa's presidency of the G20 is a unique opportunity to advance Africa's priorities on the global stage. With the African Union's inclusion in the G20, he stressed the need for coherence between regional economic communities and global governance institutions for tangible benefits for African states. However, concerns were raised about the effectiveness of existing African governance structures in fully leveraging this opportunity. Institutional weaknesses, bureaucratic inefficiencies, and political instability in certain regions have hindered Africa's ability to negotiate effectively in global economic forums. A major theme of the dialogue was the urgent need for the AU to develop a more coordinated and strategic approach to global economic governance.

A key theme of the discussion was the need for greater youth and civil society participation in G20 decision-making. Participants questioned the exclusion of young people from marginalised communities, and Ramafoko highlighted platforms such as the Youth 20 and Civil Society 20 that allow civil society and youth to engage with G20 processes. She emphasised the necessity of ensuring that these spaces are not just symbolic but lead to real influence on policy. Finally, youth unemployment across Africa remains at an alarming 30%, and panellists stressed that without targeted policies addressing education, digital inclusion, and entrepreneurship, the continent's demographic dividend could turn into a liability. The call for a G20 working group on inequality was widely supported, with discussions centring on how the G20 can help shape policies that address both income inequality and broader social inequities.

The dialogue also explored how global power dynamics influence Africa's position within the G20. Through initiatives such as the Belt and Road Initiative (BRI), China has become one of Africa's largest economic partners, offering infrastructure investments that often bypass traditional Western development frameworks.¹⁰ While this has provided African nations with alternative financing options, some critics warn of debt risks associated with Chinese loans. Western nations within the G20 continue to emphasise financial oversight, macroeconomic stability, and private sector-led development. However, African leaders have expressed concerns that these approaches do not always align with the continent's developmental priorities, particularly in areas such as social protection and state-led industrialisation. The growing influence of BRICS and the African Continental Free Trade Area (AfCFTA) presents an opportunity for Africa to enhance its economic bargaining power. By leveraging regional economic blocs, African nations can negotiate better terms in global trade and investment deals, reducing reliance on external actors.

¹⁰ Munyati, C. 2024. Why strong regional value chains will be vital to the next chapter of China and Africa's economic relationship. *World Economic Forum*. 25 June. Available: [https://www.weforum.org/stories/2024/06/why-strong-regional-value-chains-will-be-vital-to-the-next-chapter-of-china-and-africas-economic-relationship/#:~:text=Around%2020%25%20of%20the%20region's,transportation%2C%20energy%20and%20mining%20infrastructure](https://www.weforum.org/stories/2024/06/why-strong-regional-value-chains-will-be-vital-to-the-next-chapter-of-china-and-africas-economic-relationship/#:~:text=Around%2020%25%20of%20the%20region's,transportation%2C%20energy%20and%20mining%20infrastructure.). [20 February 2025].

Policy Recommendations

Addressing Structural Economic Challenges

- The CwA must prioritise inclusive growth alongside macroeconomic stability to address structural economic disparities, ensure sustainable debt management, and curb illicit financial flows through stronger tax enforcement.

Unlocking Access to Just Climate Finance and Cleaner Energy

- Developed nations must fulfil climate finance commitments with grants instead of loans, while African policies should focus on decentralised, affordable, clean and safe energy solutions for marginalised communities.

Governance, Representation, and Inclusion

- Africa's role in the G20 must be strengthened through enhanced AU representation, governance reforms for transparency, and structured inclusion of youth and civil society in economic policy discussions.

Geopolitical Positioning and Global Partnerships

- Africa must develop a unified foreign policy strategy to navigate global power dynamics, fully implement AfCFTA to strengthen intra-African trade, and establish contingency plans to manage risks from shifting global geopolitics.

Private Sector and Sustainable Growth

- African businesses need greater integration into G20 trade and investment frameworks, multinational corporations must adopt stronger corporate social responsibility standards, and financial access for SMEs should be expanded through targeted development initiatives.

Conclusion

Africa must play a proactive role in shaping its economic future within the G20 framework by moving beyond being a policy recipient to actively influencing global economic decisions. The need to address economic inequalities and ensure that policy decisions benefit all sectors of society - particularly marginalized communities - remains urgent. Sustainable, grant-based climate financing is necessary to avoid further burdening already debt-strained African economies.

Multi-stakeholder engagements such as this dialogue serve as essential platforms for inclusive discussions that bridge gaps between policymakers, civil society, and the private sector. SALO, by hosting such dialogues, aims to foster informed policy debates, strengthen African voices within global governance, and advocate for economic and social policies that prioritise equity, sustainability, and long-term development. Through continued engagement and collaboration, Africa's interests can

be meaningfully represented, and progressive policy solutions can be pursued at both regional and global levels.

The analysis and recommendations included in this brief do not necessarily reflect the view of SALO or any of the donors or conference participants, but rather draw upon the major strands of discussion put forward at the event. Participants neither reviewed nor approved this document. The contents of the report are the sole responsibility of SALO and can under no circumstances be regarded as reflecting the position of the donors who provided financial assistance for this policy dialogue session.

About the Southern African Liaison Office:



The Southern African Liaison Office (SALO) is a South African-based not-for-profit civil society organisation which, through advocacy, dialogue, policy consensus and in-depth research and analysis, influences the current thinking and debates on foreign policy especially regarding African crises and conflicts.

SALO would like to thank

Rosa Luxemburg Foundation for their direct support for this event



**ROSA
LUXEMBURG
FOUNDATION**