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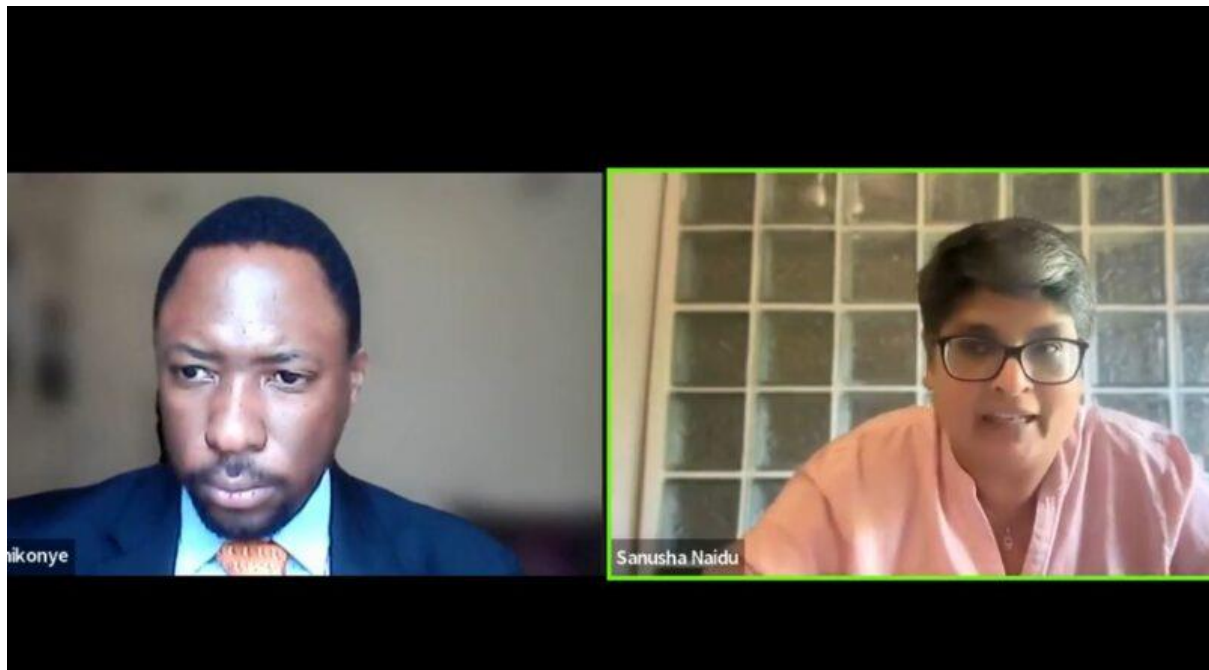
Policy Brief

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Zoom Online Platform

SALO Public Dialogue: The Reform of International Financial Institutions and South Africa's G20 Presidency

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Executive Summary

On 31 October 2024, the Southern Liaison Office (SALO) hosted a virtual public dialogue titled *“The Reform of International Financial Institutions and South Africa’s G20 Presidency”* in collaboration with the Rosa Luxemburg Foundation. Chaired by Dr Tawanda Sachikonye, a research consultant for SALO, the dialogue brought together a distinguished panel of speakers and participants to explore South Africa’s approach to international financial reform within the G20 framework.

The panel included Sanusha Naidu, Senior Research Associate at the Institute for Global Dialogue; Brian Kagoro, Pan-Africanist and Global Justice Program Director at Open Society Foundation, Chenayi Mutambasere, development economist and writer at the Africa Centre for Economic Justice; and Dr Phillip Dexter, a former Member of Parliament and trade unionist.

The meeting sought to assess South Africa’s strategy for advancing financial reforms during its G20 Presidency. The discussion covered key themes such as debt restructuring, sustainable development, inequality reduction, climate finance, trade, regional integration, the role of civil society in driving systemic change, and fostering greater accountability and transparency within international financial institutions (IFIs). Further, it focused on the pressing need to reform international financial institutions such as the International Monetary Fund (IMF) and the World Bank to better reflect the realities of a multipolar world, with a focus on Africa’s underrepresentation and the disproportionate burden it bears in the global financial system, particularly the high debt servicing costs, conditionalities on loans, underrepresentation in decision-making processes and consequently limited influence over the policies and decisions impacting its economies.

Context and Importance

Reform of the International Financial Architecture

The systemic inequalities entrenched in IFIs were a central focus of the dialogue. Dr Tawanda Sachikonye, the chair of the dialogue, emphasised that Sub-Saharan Africa holds a mere 4.6% of voting shares within the IMF, compared to the United States’ dominant 16.5%, which effectively grants it veto power over major decisions. *“Africa is the IMF’s best client, yet it remains woefully underrepresented. This imbalance must be addressed if these institutions are to foster genuine global equity”*, Sachikonye remarked. This sentiment was echoed throughout the dialogue, with participants emphasising that Africa’s underrepresentation in global financial governance is a significant barrier to achieving equitable development.

Sanusha Naidu provided a historical perspective on South Africa’s role in advocating for IMF reform within the G20 framework. She pointed out that South Africa co-chaired the G20’s working group on IMF reform in 2010, which resulted in a modest increase in quota shares for developing nations. However, Naidu noted that *“reforms have stagnated since 2010. The time has come for bold, decisive action to rebalance power within these institutions”*. She argued that South Africa, as a notable African “middle power”, could leverage its position within multilateral formations such as BRICS, IBSA, and the G77 to generate momentum for reform. Naidu also highlighted the importance

of building coalitions with other emerging economies, such as Brazil, India, and China, to push for greater transparency and accountability within the IMF.

The dialogue also delved into the disproportionate burden African nations bear in terms of IMF programs. With 117 active IMF programs on the continent, Africa is heavily reliant on these institutions for financial support. However, as Chenayi Mutambasere pointed out, this reliance often comes with stringent conditions that limit African countries' ability to influence policy formulation. Mutambasere argued for the need to establish *"principles of responsible lending and borrowing"* to prevent exploitative practices. She also called for greater transparency in loan agreements, stating, *"Transparency is key to empowering governments and citizens to make informed decisions"*.

Debt Sustainability and Vulnerability

Debt sustainability emerged as another critical theme during the dialogue. African countries are caught in a vicious cycle of borrowing to finance development while facing exorbitant borrowing costs. Developing countries often pay interest rates 10 to 12 times higher than those of developed nations, which exacerbates their debt vulnerabilities and diverts resources away from essential social services, which also consume a large percentage of national budgets, leaving limited funds for critical development sectors such as healthcare, education, and infrastructure. Naidu observed that *"debt servicing has become a silent trigger of underdevelopment, with countries prioritising repayments over health, education, and infrastructure"*. This sentiment was echoed by Mutambasere, who highlighted the role of private creditors in exacerbating the debt crisis. Unlike multilateral institutions, private creditors operate with minimal transparency and often impose onerous terms on developing nations.

To address these challenges, participants proposed several solutions, including the regular use of debt sustainability assessments (DSAs) to pre-emptively identify and address potential crises. Mutambasere argued that DSAs should be conducted cyclically and regularly to ensure that debt contracts remain sustainable over time. She also called for standardised frameworks to streamline debt restructuring and relief mechanisms, enabling over-indebted nations to stabilise their economies without jeopardising future borrowing. *"Accessing debt restructuring and being able to access debt treatments should be front-loaded in the way of designing debt contracts"*, she stated.

The dialogue also highlighted the need for greater accountability in debt contracting. Mutambasere emphasised the importance of requiring lenders and private creditors to disclose the terms of their loans to developing nations. *"There's been a lot of secrecy around the types of loans. Some countries have called for a public debt order, but there is not a lot of information in terms of the detail of what is in these debt contracts"*, she noted. By making loan terms public, governments and citizens can better understand the implications of debt agreements and hold lenders accountable for exploitative practices.

Climate Finance and Sustainability

The issue of climate finance featured prominently in the dialogue, reflecting Africa's disproportionate vulnerability to climate change. Despite contributing only a small

fraction of global greenhouse gas emissions, African nations face severe impacts, including food insecurity, displacement, and economic instability. Dr Sachikonye stressed the importance of *"linking climate finance to broader development goals to ensure resilience and sustainability"*. He argued that climate change is not just an environmental issue but a development challenge that intersects with health, education, and poverty reduction.

Participants pointed to the potential of leveraging South Africa's G20 Presidency to advocate for increased funding for renewable energy projects and climate-resilient infrastructure. Naidu highlighted the broader implications, stating, *"Climate change is not just an environmental issue; it is a development challenge that intersects with health, education, and poverty reduction."* She also emphasised the need for innovative financing mechanisms to support Africa's climate adaptation and mitigation efforts, particularly in the context of the just energy transition.

The just energy transition emerged as a key area of focus during the dialogue. Participants stressed the importance of ensuring that Africa's move toward renewable energy does not come at the expense of economic development, especially recognising that the Global South is bearing the burden of climate change and shouldering the 'carbon credit load'. This requires significant investments in technology and capacity-building to enable a sustainable transition. Mutambasere noted that *"without adequate support, the transition risks leaving African countries further behind in the global race toward sustainability"*. She called for greater collaboration between governments, private sector actors, and civil society organisations to ensure that the benefits of the energy transition are equitably distributed.

Trade and Regional Integration

Trade emerged as a complementary theme to financial reform, with participants emphasising the need to strengthen Africa's position in the global economy. Africa's share of global trade remains below 3%, highlighting the continent's marginalisation in the global economy. Naidu linked this issue to broader reforms in the World Trade Organization (WTO), noting that *"the WTO's dispute resolution mechanism is in crisis, hampering its ability to address trade inequities. Africa must advocate for reforms that align global trade rules with the continent's development priorities"*.

The African Continental Free Trade Area (AfCFTA) was highlighted as a critical initiative for enhancing intra-African trade. By fostering collaboration among African nations, the AfCFTA could reduce dependency on external markets and promote regional economic growth. Participants called for greater investment in trade facilitation and infrastructure to unlock the full potential of the AfCFTA. Naidu emphasised the importance of addressing structural barriers such as inadequate infrastructure and non-tariff barriers, which hinder Africa's trade competitiveness.

Critical Minerals and Industrialisation

Africa's vast reserves of critical minerals, such as cobalt and lithium, were highlighted as a potential driver of industrialisation and economic transformation. However, the dialogue also underscored the exploitative nature of extractive industries, which often fail to benefit local communities. Participants called for policies that promote value

addition and regional industrialisation, ensuring that Africa's resources drive sustainable development. Naidu emphasised the importance of aligning mineral extraction with the African Union's Agenda 2063, stating, *"Africa must transition from being a mere exporter of raw materials to a hub for manufacturing and innovation. This requires strategic investments in infrastructure and skills development"*.

Furthermore, speakers discussed the need for stronger regulations to prevent resource exploitation and ensure that revenues from extractive industries are reinvested in local economies. This would require collaboration between governments, private sector actors, and civil society organisations to create transparent and accountable systems. Mutambasere noted that *"without adequate support, the transition risks leaving African countries further behind in the global race toward sustainability."*

The Role of South Africa's G20 Presidency

South Africa's unique position as a bridge between the Global North and South was a recurring theme throughout the dialogue. As a member of key multilateral formations such as BRICS, IBSA, and the G77, South Africa has the opportunity to amplify African voices within the G20. Participants stressed the importance of leveraging this platform to advocate for systemic reforms in global governance. Mutambasere highlighted the potential of South Africa's co-chairmanship of the G20 Development Working Group to promote sustainable development initiatives. She argued, *"South Africa must use its Presidency to push for tenable and transparent development financing, ensuring that multilateral, bilateral, and private creditors align with Africa's priorities"*.

South Africa's presidency also provides an opportunity to advocate for greater representation of developing nations within global decision-making processes. By building coalitions with other emerging economies, South Africa can strengthen its bargaining power and advance reforms that benefit the Global South. Naidu emphasised the importance of aligning South Africa's G20 agenda with the African Union's Agenda 2063, stating, *"Africa must transition from being a mere exporter of raw materials to a hub for manufacturing and innovation. This requires strategic investments in infrastructure and skills development"*.

Alternative Financial Institutions

The dialogue also explored the possibility of establishing alternative financial institutions tailored to the needs of developing nations. Molly Dhlamini cited Latin America's BancoSur initiative as a model for Africa, arguing, *"We need institutions that prioritise our development aspirations rather than perpetuate dependency"*. Dr Phillip Dexter echoed this sentiment, advocating for a *"new financial architecture that reflects the realities of the 21st century."* However, he also cautioned against over-reliance on existing systems, stating, *"The current global financial architecture was not designed with Africa's interests in mind. Genuine reform requires both internal and external restructuring"*.

Civil Society and Advocacy

The role of civil society in driving reforms was another key theme. Participants emphasised the importance of grassroots mobilisation and advocacy to hold

governments and institutions accountable. Dr Dexter argued, *"Real change will not come from the top down. It requires sustained pressure from the ground up"*. Civil society's role in promoting transparency and equity was particularly relevant in the context of climate finance and debt reform. Participants called for stronger collaboration between African governments and civil society organisations to build consensus and advocate for shared goals.

Grassroots movements were also identified as essential for amplifying marginalised voices and ensuring that policy reforms address the needs of vulnerable communities. As Naidu noted, *"Empowering local actors is key to creating a more inclusive and equitable global financial system"*. Speakers also underscored the need to improve educational outreach and public awareness regarding global financial governance. By equipping citizens with knowledge, they can better hold their governments accountable and contribute to a robust civil society network.

Policy Critiques and Recommendations

The following critiques and recommendations are based on the issues raised by the speakers and participants during the dialogue. These critiques and recommendations reflect their collective concerns and proposals, emphasising the need for systemic reforms and greater African agency in global financial governance.

1. Inequitable Representation in IFIs

- **Critique:** Africa's underrepresentation in global financial governance (e.g., only 4.6% voting share in the IMF) undermines its ability to influence policy decisions, despite being a major client of these institutions. The dominance of advanced economies, particularly the U.S., in decision-making processes creates a structural imbalance that perpetuates inequality.
- **Recommendation:** Advocate for increased voting shares and representation for African and developing countries in the IMF and World Bank. Push for greater transparency and accountability in IFI decision-making processes.

2. Debt Sustainability and Exploitative Lending Practices

- **Critique:** African countries face unsustainable debt levels, with high borrowing costs and stringent conditions imposed by IFIs and private creditors. Lack of transparency in loan agreements and exploitative practices by private creditors exacerbate debt vulnerabilities. Debt servicing diverts resources from essential social services, such as health and education, hindering development.
- **Recommendation:** Establish global principles for responsible lending and borrowing to prevent exploitative practices. Implement regular DSAs and streamline debt restructuring mechanisms to pre-empt crises. Require lenders, including private creditors, to disclose loan terms to ensure transparency and empower governments and citizens.

3. Inadequate Climate Finance

- **Critique:** Despite contributing minimally to global emissions, Africa bears a disproportionate burden of climate change impacts. Current climate finance mechanisms are insufficient and often fail to align with Africa's development priorities, particularly in renewable energy and climate-resilient infrastructure.
- **Recommendation:** Leverage South Africa's G20 Presidency to advocate for more equitable climate finance, particularly renewable energy and climate-resilient infrastructure. Align climate finance with broader development goals to ensure resilience and sustainability.

4. Weak Trade Integration and WTO Crisis

- **Critique:** Africa's marginalisation in global trade (less than 3% of global trade) is compounded by the WTO's dysfunctional dispute resolution mechanism. The AfCFTA has potential but requires significant investment in infrastructure and trade facilitation to unlock its benefits.
- **Recommendation:** Advocate for WTO reforms that address Africa's development priorities and improve the dispute resolution mechanism. Invest in trade facilitation and infrastructure to maximise the potential of the AfCFTA and enhance intra-African trade.

5. Exploitation of Critical Minerals

- **Critique:** Africa's vast reserves of critical minerals are often exploited without benefiting local communities or contributing to regional industrialisation. Extractive industries frequently fail to promote value addition or sustainable development.
- **Recommendation:** Develop policies that promote value addition and regional industrialisation, ensuring that Africa's mineral resources drive sustainable development. Implement stronger regulations to prevent resource exploitation and ensure revenues benefit local economies.

6. Lack of Political Will for Reform

- **Critique:** The current global financial architecture, designed post-World War II, does not reflect the realities of a multipolar world or the needs of developing nations. Reforms have stagnated since 2010, with little progress in rebalancing power within IFIs.
- **Recommendation:** Use South Africa's position to build coalitions with other emerging economies and advocate for systemic reforms in global governance. Align South Africa's G20 agenda with the African Union's Agenda 2063 to ensure that Africa's priorities are central to global discussions.

7. Weak Local Governance and Accountability

- **Critique:** Poor governance at the national and local levels complicates debt management and undermines development efforts. Lack of transparency in debt contracting and weak accountability mechanisms exacerbate financial vulnerabilities.

- **Recommendation:** Strengthen governance structures to ensure transparency and accountability in debt contracting and financial management. Empower civil society to hold governments and institutions accountable for equitable and sustainable development.

8. Need for Alternative Financial Institutions

- **Critique:** The current global financial architecture perpetuates dependency and fails to prioritise Africa's development aspirations.
- **Recommendation:** Explore the creation of alternative financial institutions, such as a Pan-African development bank, to prioritise Africa's development aspirations and reduce dependency on traditional IFIs. Strengthen regional credit rating agencies to provide more accurate and context-specific risk assessments for African countries.

9. Mobilising Pan-African Resources

- **Critique:** Africa's reliance on external financing limits its ability to drive its development agenda.
- **Recommendation:** Harness the potential of the Pan-African diaspora and private sector to fund development initiatives and reduce reliance on external debt. Explore innovative financing mechanisms, such as Pan-African bonds, to mobilise resources for sustainable development.

10. Strengthening Civil Society Engagement

- **Critique:** Civil society's role in advocating for reforms and holding institutions accountable is often marginalised, particularly in the Global South.
- **Recommendation:** Increase civil society's role in advocating for reforms and holding governments and institutions accountable. Promote grassroots mobilisation to amplify marginalised voices and ensure that policy reforms address the needs of vulnerable communities.

Conclusion

The public dialogue successfully addressed key challenges and potential reforms for a more equitable global financial system. The discussions highlighted the need for institutional reforms within the IMF and World Bank, focusing on Africa's underrepresentation and the disproportionate burdens these institutions place on African economies.

Key outcomes included calls for increased transparency in debt agreements, the adoption of responsible lending principles, and pre-emptive debt sustainability assessments. Climate finance was also emphasised, as well as the importance of trade integration and the necessity of addressing structural barriers to unlock Africa's trade potential. South Africa's unique position as a bridge between the Global North and South was seen as an opportunity to amplify African voices during its G20 Presidency.

This dialogue underscores SALO's commitment to fostering spaces for meaningful engagement and consensus-building on issues critical to Africa's development. By convening diverse stakeholders and driving forward critical conversations, SALO continues to play a vital role in shaping progressive narratives and advocating for systemic reforms. The outcomes of this meeting reaffirm SALO's dedication to promoting dialogue that empowers stakeholders, builds consensus, and supports the development aspirations of Africa.

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.

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