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Centring Africa in the G20: the African Civil Society Perspective on Economic Inequality and Debt Justice

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Introduction

Over the past decade, the world has faced a series of overlapping crises, including global economic instability, climate change, rising poverty and inequality. Central to these challenges is Africa's escalating debt crisis, which continues to undermine the continent's development prospects and long-term stability. This crisis has severely limited governments' ability to finance essential public services, invest in development, respond to climate change, and achieve sustainable growth. It is rooted in the deeply unequal structure of the global economy, where powerful nations and financial institutions dominate decision-making processes and prioritise profit over people and the planet.

Although the Group of 20 (G20) was established to manage global financial stability, it has largely failed to confront the structural injustices affecting developing countries, particularly in Africa. Comprising nineteen countries along with the European Union (EU) and since 2023, the African Union (AU), the G20 represents 85% of the global economy, 75% of international trade, and 67% of the world's population.[1] The AU's inclusion in the G20 offers hope for a stronger African voice on the global stage and the potential to leverage its vast natural resources for sustainable development. However, persistent power imbalances, especially the dominance of G7 countries in institutions such as the G20, raise concerns that this inclusion may be more symbolic than transformative.[2] As the only African country in the G20, South Africa's leadership role is vital. It presents a unique opportunity to push for economic justice, debt relief, and global financial reforms that truly reflect Africa's priorities and developmental agenda.

This paper, titled *'Centring Africa in the G20: The African Civil Society Perspective on Economic Inequality and Debt Justice'*, explores Africa's position within the global economic order, examines the key challenges and realities facing the continent from the African Civil Society perspective, including Africa's position within the G20, and proposes recommendations for transformative change.

Africa's position within the global economic order

Africa is rich in natural resources and diverse ecosystems, possessing extensive productive land and a wide range of valuable resources, both renewable (water, forests, and fisheries etc.) and non-renewable (minerals, coal, oil, and gas etc.).[3] Despite these endowments, Africa continues to grapple with a heavy debt burden, exacerbated by structural barriers to debt justice and economic equality. These barriers include a global financial architecture dominated by wealthy countries, limited African representation in decision-making institutions, and a lack of accountability for debt and inequality outcomes. Global inequality is deeply connected to the operations

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[1] T20 South Africa. 2024. *Reimagining Global Economic Governance: African and Global Perspectives*. 20 September. Available at: https://t20southafrica.org/commentaries/reimagining-global-economic-governance-african-and-global-perspectives/ [22 April 2025].

[2] Matanda, D. 2025. Symbolism to Transformation: An analytical stocktake of the African Union's G20 Membership. *Africa Policy Research Institute*. 22 April. Available at: https://afripoli.org/symbolism-to-transformation-an-analytical-stocktake-of-the-african-unions-g20-membership [24 April 2025].

[3] Moti, U.G. 2019. Africa's natural resource wealth: A paradox of plenty and poverty. *Advances in Social Sciences Research Journal*. 6(7):483-504. DOI: 10.14738/assrj.67.6814.

of the international financial system, particularly institutions such as the International Monetary Fund (IMF) and the World Bank, which significantly influence global economic policies and financial distributions.

Africa has limited decision-making power in major international financial institutions, where voting rules favour wealthier nations. As a result, the policies crafted within these institutions often serve the interests of the Global North at the expense of countries in the Global South, particularly those in Africa. the IMF's Special Drawing Rights (SDRs) exemplify this systemic inequality. While designed to support countries during financial crises, the allocation of SDRs is based on quotas, which disadvantages developing countries, especially those in Africa. Richer countries have larger quotas, which means that they receive more SDRs and hold greater voting power, while poorer countries including most in Africa have smaller quotas, resulting in less financial support and limited influence in IMF decision-making.[4]

Moreover, African economies remain heavily dependent on the export of raw materials, a colonial legacy that keeps these nations highly exposed to global market volatility.[5] In addition, Africa faces disproportionately high borrowing costs due to biased risk assessments, making it significantly more expensive for most Africans countries to access international financing. These biased risk assessments further contribute to the existing unequal structure of the global financial system. As such, developing countries - especially in Africa - often face interest rates that are two to twelve times higher than those charged to wealthier nations. For example in 2023 fifty-four countries had to allocate at least ten percent of their government budgets to interest payments alone, diverting crucial funds from other pressing priorities such as education, healthcare, and renewable energy.[6] Compounding this issue, financial aid from richer countries is often provided in the form of loans rather than grants, further tightening fiscal constraints and reinforcing existing inequalities.

Continental Illicit Financial Flows and Capital Flight

In addition to the capital constraints imposed by biased risk assessments that drive up Africa's financing costs, illicit financial flows (IFFs) and capital flight deprive governments of critical revenue, deepening the debt burden. These systemic leakages significantly weaken the continent's capacity to finance its own development, undermining both domestic resource mobilisation efforts and external creditability.

The IMF defines IFFs as *"the movement of money across borders that is illegal in its source (e.g. corruption, smuggling), its transfer (e.g. tax evasion), or its use (e.g.*

[4] Shimeles, A. & Gallagher, K.P. 2024. IMF isn't doing enough to support Africa: billions could be made available through special drawing rights. *The Conversation*. 23 October. Available at: https://theconversation.com/imf-isnt-doing-enough-to-support-africa-billions-could-be-made-available-through-special-drawing-rights-241428 [22 April 2025].

[5] T20 South Africa. 2024. *Reimagining Global Economic Governance: African and Global Perspectives*. 20 September. Available at: https://t20southafrica.org/commentaries/reimagining-global-economic-governance-african-and-global-perspectives/ [22 April 2025].

[6] Tshuma, D. & Ngcobo-Mphahlele, B. 2024. South Africa's G20 Presidency: Tapping into Africa's Potential through Financial, Climate and Food System Reform. *Instituto Affari Internazionali.* 3 September. Available: https://www.iai.it/it/pubblicazioni/c05/south-africas-g20-presidency-tapping-africas-potential-through-financial-climate [22 April 2025].

terrorist financing)".[7] The African Development Bank, in its *African Economic Outlook 2025*, reported that while the continent received an estimated US$190.7 billion in financial inflows in 2022, it simultaneously lost nearly US$587 billion through various forms of financial outflows. These included approximately US$90 billion in IFFs alone, US$275 billion through profit-shifting by multinational corporations, and US$148 billion due to corruption.[8]

These losses significantly undermine the continent's fiscal stability, and the scale of these outflows highlights the urgent need for comprehensive strategies to combat IFFs and corruption. More specifically, these figures underscore the urgency of building more transparent, accountable, and efficient public financial management systems. Strengthening institutional frameworks, enhancing transparency, and fostering international cooperation are essential steps toward mitigating these losses and promoting sustainable economic growth across the continent. As AfDB Chief Economist and Vice President Kevin Urama observed:

> *"When Africa allocates its own capital (human, natural, fiscal, business and financial) effectively, global capital will follow Africa's capital to accelerate investments in productive sectors in Africa"*.[9]

Key challenges and realities facing Africa

Africa is currently grappling with a serious debt crisis that is significantly impacting the region's development and stability. In early 2023, developing countries were weighed down by an overwhelming US$100 trillion in debt, with African nations among the most severely affected.[10] Africa's debt crisis is driven by a combination of both external and internal factors. These external factors include inadequate climate finance, the effects of the COVID-19 pandemic, the global energy crisis, and the Russia-Ukraine war. At the same time, internal factors such as corruption and ineffective economic development policies also drive Africa's debt burden. The compounding impacts of these myriad internal and external pressures have left many African countries financially vulnerable, with limited pathways toward recovery.[11]

This challenge severely constrains governments' ability to finance domestic priorities, invest in development, respond to climate change, and pursue sustainable growth. For instance, inflated risk premiums cost Africa over US$74 billion each year,[12] a burden

[7] International Monetary Fund. 2023. *The IMF and the Fight Against Illicit Financial Flows*. February. Available: https://www.imf.org/en/About/Factsheets/Sheets/2023/Fight-against-illicit-financial-flows [29 May 2025].
[8] African Development Bank. 2025. *African Economic Outlook 2025: Africa's short-term outlook resilient despite global economic and political headwinds*. 27 May. Available: https://www.afdb.org/en/documents/african-economic-outlook-2025 [29 May 2025].
[9] Ibid.
[10] Arko, T. 2024. Climate finance, debt and economic dependency in Africa. *United Nations University*. 25 September. Available at: https://unu.edu/inra/article/climate-finance-debt-and-economic-dependency-africa [22 April 2025].
[11] Ibid.
[12] T20 South Africa. 2024. *Reimagining Global Economic Governance: African and Global Perspectives*. 20 September. Available at: https://t20southafrica.org/commentaries/reimagining-global-economic-governance-african-and-global-perspectives/ [22 April 2025].

that disproportionately affects ordinary citizens who are left without access to basic services and opportunities.

Another example is the severe under-resourcing of many African public health systems, particularly in terms of essential equipment such as ventilators and intensive care beds.[13] This situation persists despite African countries having signed the Abuja Declaration in 2001 to improve healthcare infrastructure and ensure readiness to respond to disease outbreaks. Beyond the lack of medical resources, Africa also faces broader issues in healthcare delivery, including limited access, high costs, and reliance on bribes. These challenges became even more pronounced during the COVID-19 pandemic, as most African countries were unable to provide free and universal healthcare, leaving many people unable to access even basic medical services.

The G20 and South Africa's 2025 Presidency

The G20, as an international economic forum, has not been effective in supporting Africa as a member. One major reason for this limited support is the strong influence of the G7 within the G20. The G7 exerts significant control over major global financial institutions and has shaped many of the G20's decisions concerning Africa. Although the G7 has initiated support for Africa through efforts such as debt relief, health funding, and development aid, these initiatives have often aligned more with the G7's strategic interests than with Africa's priorities.[14] This significantly contributes to the ongoing debt crisis that Africa is facing today. While the G20 proposed the Common Framework initiative to help with debt restructuring, it has deepened global financial inequalities instead of solving them. The Framework has been criticised for being slow, complicated, and costly, and for excluding many struggling middle-income countries, especially in Africa.

South Africa's role in leading the G20 offers a valuable chance to influence global decision-making and push for policies that support Africa's priorities and needs. South Africa's theme for its G20 Presidency is *'Solidarity, Equality, and Sustainable Development'*. Through this theme, South Africa has emphasised its commitment to achieving strong, sustainable, balanced, and inclusive growth.[15] It recognises that sustainability in the Global South, especially Africa, depends on securing financial stability. As part of its G20 Presidency, South Africa has pledged to advocate for reforms to the global debt system to ensure that recurring debt crises do not hinder progress toward the Sustainable Development Goals (SDGs).

Recommendations

As South Africa takes on the G20 presidency and the AU participates as a member, African leaders must advocate for more equitable global rules. Africa should propose

[13] Biegon, J. 2020. 19 years ago today, African countries vowed to spend 15% on health. *African Arguments*. 27 April. Available at: https://africanarguments.org/2020/04/19-years-africa-15-health-abuja-declaration/ [24 April 2025].
[14] Matanda, D. 2025. Symbolism to Transformation: An analytical stocktake of the African Union's G20 Membership. *Africa Policy Research Institute*. 22 April. Available at: https://afripoli.org/symbolism-to-transformation-an-analytical-stocktake-of-the-african-unions-g20-membership [24 April 2025].
[15] G20 South Africa. 2024. *G20 Presidency*. n.d. Available at: https://g20.org/g20-south-africa/g20-presidency/ [24 April 2025].

the improvement of the use of SDRs to better support Africa's development and ease financial pressures.[16] Moreover, since the Common Framework has proven ineffective in facilitating debt restructuring, there is a strong need for a new and improved debt resolution system, one that is ideally overseen by a multilateral body such as the United Nations. This system should address the weaknesses of the current framework by ensuring that debt restructuring is timely, fair, and predictable, while also protecting socio-economic rights and supporting the development goals of poorer countries.

The G20 must also prioritise easing the debt burden, especially for developing countries in Africa, so they can resolve financial crises and redirect funds toward the 2030 SDGs. To address the debt crisis, the G20 should:

I. Provide timely and comprehensive debt relief or cancellation based on countries' economic, social, and climate vulnerabilities
II. Remove the surcharges imposed by the IMF
III. Ensure that debt-for-development swaps, whether for health, climate, or food security, are fair and effective by addressing long-term financial risks and concerns over national sovereignty
IV. Include clauses in debt agreements that allow for the suspension or cancellation of repayments during major crises, such as economic shocks.[17]

[16] Shimeles, A. & Gallagher, K.P. 2024. IMF isn't doing enough to support Africa: billions could be made available through special drawing rights. *The Conversation*. 23 October. Available at: https://theconversation.com/imf-isnt-doing-enough-to-support-africa-billions-could-be-made-available-through-special-drawing-rights-241428 [22 April 2025].
[17] C20 Brazil. 2024. *C20 Policy Pack 2024*. 12 November. Available at: https://c20brasil.org/wp-content/uploads/2024/11/C20-Policy-Pack-2024_Digital.pdf [25 April 2025].