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REPUBLIC OF SOUTH AFRICA

The South Africa - UK International Economic Partnership (IEP)

AN AGENDA FOR SOUTH AFRICA'S G20

RESEARCH PAPER

March 2024

Programme implemented by: DNA Economics — Making economic sense of common problems; Economic Research Southern Africa; ODI

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DESCRIPTION OF THE SOUTH AFRICA – UK INTERNATIONAL PARTNERSHIP (IEP) PROJECT

The International Economic Partnership (IEP) is a programme which works through the global economic governance system to strengthen the influence of coalitions between South Africa, the UK and other low or middle-income countries, to bring about better pro-poor, inclusive policymaking, and a stronger economic recovery from COVID-19. Specifically, the programme aims to forge new ways of collaboration between the UK and South African governments by supporting South Africa's G20 presidency in 2025, unlocking structural barriers to growth and promoting economic policy coordination. The IEP is implemented by DNA Economics, Economic Research Southern Africa (ERSA) and the Overseas Development Institute (ODI) and runs until 2027. This research paper has been delivered as part of this partnership.

Contents

Introduction

This paper has two goals. First, it aims to provide a description of the G20 as a forum for the discussion, coordination and agreement of policies to address typical collective action problems for which, unilateral action provide a sub-optimal solution. In this sense, this paper tends to describe the G20 as well as identifying a series of aspects to consider as South Africa defines priorities for its presidency in 2025.

The second purpose of this paper is to discuss a menu of priorities that South Africa can consider proposing in the agenda for its presidency. These priorities are not defined arbitrarily, but rather it is the result of engaging with South African and International experts on a wide range of areas. Moreover, the definition of priorities is based on considering the potential support garnered from other G20 members and, in particular, aimed at representing some of the interests of the African continent. The definition of priorities also explores how South Africa can lever support by providing continuation from the current Brazilian and the future US presidencies.

Consequently, this paper aims at contributing to defining South African priorities to guide the discussions of its presidency. The definition of priorities for an agenda is based on recognising the limited impact that the most recent G20 processes have had in delivering any meaningful package of global reforms and actions. In this sense, this paper provides an approach based on identifying concrete actions that can deliver on general objectives or areas, rather than defining very general outcomes and then, identifying potential actions for each of them. This is on the understanding that there is more consensus amongst G20 members on the general outcomes than on the specific instrument to achieve them.

Moreover, the South African G20 process will be the first held in Africa. In this sense, South Africa can count on the support of the African Union (AU) as a natural partner to pursue these actions and agendas. Consequently, it is important that the priorities defined by South Africa are also shared by the AU and, of course, the rest of the African continent.

Further, the South African presidency is part of a triad of G20 presidencies led by large emerging economies (India in 2023 and Brazil in 2024). Therefore, there are advantages in providing continuation of topics that were raised. However, effort should be made to engage the US to secure a continuation in 2026 of whatever South Africa may present as priorities.

All these elements should allow South Africa to define an agenda of concrete and deliverable actions and policies by the members of the G20. The ultimate outcome of this exercise, therefore, is achieving a declaration of Head of States considering concrete commitments, and not the declaration of principles and expressions of support that have been the norm in the recent G20 processes.

Finally, even though South Africa as a host country has the responsibility of setting the agenda for discussion and coordinating the discussion, the success or the failure of the presidency will be shared by all G20 members. The way through which this coordination needs to be conducted escapes this paper, but its discussion is of critical importance and urgency. In this sense, the paper may provide a research and discussion agenda, engaging different stakeholders, to deepen what it is presented in this paper.

This paper is structured thusly. In the second section, a brief history of the G20 is presented, highlighting the changes in the geopolitical context in the last 20 years and how they have affected the quality of the outcomes. The third section summarises some of the issues under discussion, aimed at providing some sense of concrete actions that could be agreed as part of the delivery packages. The fourth section concludes but, more importantly, aims at proposing some actions and policies that could be adopted by the G20 members.

1 Brief Description of the G20

This section aims to summarise the history of the G20 by focusing on the decisive moments that have influenced its current dynamics and structure. The goal of this section is to provide some potential reflections on where South Africa can innovate in relation to its approach and thematic attention.

The G20 was established to respond to the Asian financial crisis of 1997/8. It was primarily a meeting of Finance Ministers aiming at providing some degree of policy coordination to address the effects of the crisis and lead to the recovery of economic growth. Although officially aimed at gathering the largest 20 economies of the world at that time, its membership was slightly arbitrary, aiming at reducing the representation of European countries and increasing the representation of other latitudes[1].

The relevance of the G20 increased notoriously when it transitioned into a Leaders forum in 2008 to respond, again, to the Global Financial Crisis. This enhanced representation provided by the Head of State gave effectiveness to the achieving a series of agreements and coordination actions to address the financial crisis (Table 1). In fact, the G20 was particularly successful between 2008 and 2010 when a series of financial and economic-related decisions were adopted by partners. The limited breadth of the agenda, focusing primarily on financial issues aimed at addressing the crisis, and the enhanced membership provided by the Head of States contributed to this success.

Table 1. Main G20 achievements 2008-10

Date	Venue	Decisions
November 2008	Washington DC	Agreed a set of principles for addressing the financial crisis
April 2009	London	\$500 bn increase in IMF New Arrangements to Borrow facility. \$250 bn allocation of Special Drawing Rights (SDRs) by IMF £250 bn in pledges to increase trade finance. \$100 bn for multilateral development bank (MDB) lending to global South Agreement on global regulation of hedge funds and credit-rating agencies

1 By current GDP, in 1998 Spain, Sweden, Switzerland and The Netherlands were amongst the 20 largest economies. South Africa, Saudi Arabia and Indonesia were not within this group. The European representation was partially addressed by including the European Union as a member.

		Common approach to cleaning up bank toxic assets. Established Financial Stability Board to coordinate financial regulation
September 2009	Pittsburgh	G20 Framework for Strong, Sustainable and Balanced Growth
June 2010	Toronto	Completion of first Mutual Assessment Process of economic policies
November 2010	Seoul	First focus on development. Agreed Seoul Development Consensus for Shared Growth and associated Multi-Year Action Plan on Development, with nine pillars, to be coordinated through OECD

Source: Prof Michael Jacobs' presentation, 9 February 2024

Not only did the G20 gain volume in geopolitical terms by virtue of the enhanced participation but it opened the possibility of discussing and agreeing on actions on a wider range of areas. There was still a shared consensus across the world about the importance of the globalisation and free trade as a major driver in the configuration of the global economy. China and other emerging economies were increasing their integration into global value chains. At the same time – in contrast to the G7/G8 – the G20 had more legitimacy to discuss a wider set of issues affecting the global economy by virtue of its wider representation.

At the same time, a stronger sense of global cooperation aimed at a wider participation in the existing international governance framework. It was promoted, for example, that China participate more actively in these existing processes and institutions. This sense of global cooperation was also reflected in the fact that Russia, at that time, was still a member of the G8.

This enhanced cooperation as well as improved political representation also contributed to the expansion of areas discussed. In this sense, the G20 transitioned from a forum for the policy coordination and adoption of commitments in the financial area into a space involving multiple activities and functions in a wide range of areas. These include the phasing-out of fossil fuels subsidies, the reallocation of Special Draught Rights and food security amongst many. In this sense, the G20 has become a forum to discuss the widest range of global issues.

This expansion of the topics under discussion is reflected in the increase in the number of working groups as part of the different task forces and the rise in the number of engagement groups (Table 2). In terms of the working groups, there are two distinguished tracks: the Finance and the Sherpa tracks. The finance track involves primarily the Ministries of Finance and Central Banks. The Sherpa track involves Ministries and agencies involved on a wide range of areas.

Table 2. Working groups of the G20 India

Finance Track	Sherpa track
Framework	Agriculture
International Financial Architecture	Anti-corruption
Infrastructure	Culture
Sustainable Finance	Digital Economy
Global Partnership for Financial Inclusion	Disaster Risk Reduction
Joint Finance and Health Task Force	Development
International Taxation	Education
	Employment
	Environment and Climate Sustainability
	Energy Transitions
	Health
	Trade and Investment
	Tourism

Source: Own elaboration based on G20 India website

Finally, the third leg of the structure of the G20 was constituted by a large list of engagement groups involving institutions of different nature. It was encouraged that the discussions on the G20 should have a wide range of social and political ownership by engaging with a different type of representations of the societies and the business communities. Over time, the number of engagement groups has increased notably and, on average, there has been the addition of one engagement group each year, totalling 13 during the current Brazilian presidency (Table 3).

Table 3. G20 Engagement groups

Name	Description	First meeting
L20	Labour and work	2008
Y20	Youth	2010
P20	Parliamentarians	2010 (inactive until 2023)
B20	Business	2012
T20	Think-tanks	2012
C20	Civil Society	2014

W20	Women	2017
S20	Science	2017
U20	Cities	2018
SAI20	Supreme Audit Institutions	2022
Startup20	Startups	2023
J20	Supreme Courts	2024
O20	Oceans	2024

Source: Own elaboration based on various sources

Unfortunately, the expansion in the number of topics have not translated, over time, to a corresponding increase in the agreements and decisions adopted. Even when there could be agreement on many documents, these have been increasingly declarative and of limited depth. Moreover, even the language of the declarations and documents have become increasingly less committal.

Nevertheless, whilst the increase in the number of areas under discussion may have generated a reduction in the focus and lost some of the economies of specialisation, other aspects have affected deeply the dynamics and, more importantly, the content of the discussions.

2 The complexity of defining priorities

In addition to the number of areas of discussion increasing substantially and the coordination of the discussions becoming extremely difficult, the latest G20 have operated under a context of lower cooperation and increasing confrontation between its partners (Butler, 2023). First – as efficiency becomes less of an important factor in ordering global production and distribution systems – fragmentation of supply chains is contributing to the creation of economic blocs, increasing trade protectionism and mercantilism.

Second, alternative international governance and institutional arrangements have emerged that are rivalling incumbents. BRICS is creating institutions and fora that, in many cases, replicate the existing Bretton Woods institutions and arrangements but exclude the US and Europe in their design (ODI, 2023). In this sense, it is no longer accepted that countries, especially emerging economies, will participate and engage in institutions and arrangements without participating in their designing, governance and eventual reform.

Third, the world is facing recurrent and permanent crises – including climate change, environmental issues, the reversal of financial flows and debt, and the challenges associated with artificial intelligence (AI) – that are leading increasingly to countries adopting unilateral policies (e.g. Border Carbon Adjustment Measures) to address these issues. Countries are increasingly taking unique stances on each of these issues, and these are leading them to adopt unilateral actions.

Finally, there are increasing tensions and indirect conflicts involving G20 members such as the US, China, Russia and the European Union (EU) amongst others. Not only there is distrust amongst partners; they are taking direct action against each other such as economic sanctions or, in some cases, some members are intervening directly and indirectly in conflicts on different sides of the conflict[2].

The combination of all these issues have led to a very wide and, frequently, very dissimilar elements that complicate the operation of synergies between issues.

In plain terms, the G20 agendas have "spread too thin".

On the other hand, the state of mutual distrust between partners have made it almost impossible to achieve any meaningful commitment or action by its partners.

The current Brazilian G20 appears to be focused on three critical issues:

- Fighting hunger, poverty and inequality;
- the three dimensions of sustainable development (economic, social and environmental); and
- global governance reform[3].

This focus on a limited number of sets appears to acknowledge the complications of dealing with a more varied agenda. However, it is worth noting that, in general, most presidencies appear also concentrated on a limited number of topics.

The Argentine agenda in 2018 was also focused on three topics: the future of work, infrastructure for development and a sustainable food future)[4].

The agenda of the most recent Indian G20 was wider[5]. At the same time, even when processes can be limited to a reduced number of topics, they could be extremely wide themselves. For example, "the three dimensions of sustainable development" appears, in this context, enormous.

On the other hand, success would also depend on how skilful the host country is in guiding and conducting the discussion and, more importantly, how it can translate these vast agendas into concrete and actionable decisions.

In this sense, the host country needs to identify – within the topics under discussion – what would be the actionable decisions that can be adopted beyond the mere declarations of support and promises of continuation of work these areas.

This suggests that for South Africa, the challenge goes beyond defining topics or titles for its agenda; it involves identifying what are the mechanisms that need to be agreed to deliver within these actions. In this sense, whilst an agenda may talk about boosting "sustainable and comprehensive economic development", a concrete and

2 Russia is combatting Ukraine, which is supported financially and militarily by the US, the UK and the European Union.

3 https://www.gov.br/mre/pt-br/embaixada-londres/press-releases/g20-brasil-2024#:~:text=Brazil's%20G20%20Presidency%3A%20building%20a%20just%20world%20and%20a%20sustainable%20planet,-Compartilhe%3A&text=Brazil%20will%20take%20on%20the,held%20the%20presidency%20in%202023.

4 https://blogs.lse.ac.uk/latamcaribbean/2018/11/23/the-g20-in-argentina-needs-to-address-its-own-failings-as-well-as-the-many-problems-facing-the-global-economy/

5 https://economictimes.indiatimes.com/news/elections/lok-sabha/india/indias-g20-presidency-a-look-at-agenda-and-proposals-for-the-finance-and-sherpa-tracks/articleshow/103379253.cms?from=mdr

actionable commitment should talk about a specific agreement to facilitate the operation of a particular instrument to deliver in that area (e.g. a global payment system).

Another important aspect to consider is that this G20 will be the first process organised by an African country and, therefore, it is expected that the agenda that South Africa will define, will help to address particularly the concerns of the African continent. In this sense, South Africa should identify the areas of continental interests that overlap with its own interests.

South Africa needs to consider working together with the African Union (AU), the other African member of the G20, to define priorities.

3 Towards a prioritization

The first step in defining priorities requires, initially, the identification of a possible menu of areas to consider for prioritisation. This section aims to summarise a series of issues highlighted by some South African and International experts with the aim of supporting South Africa in the definition of its priorities for its presidency in 2025. These experts (See Annex) met on 9 February 2024. This of course, it is a not an exhaustive list of areas to focus the attention and, others could also be considered. However, they present what are potentially the most important and, in some cases, urgent areas of attention.

An attempt has been made to identify, within these areas, what are the issues to address and/or some potential agreement or solution that needs to be considered. In this sense, rather than identifying general areas, the prioritisation is focused primarily on dealing with concrete global issues.

3.1 Trade and investment: Dealing with trade-related climate measures.

Global value chains are being transformed. Efficiency seeking is no longer their main driver, but other geopolitical considerations is leading to a process of 'onshoring' and 'nearshoring'. (McKinsey, 2024) In addition, some members - in an aim to address some technical aspects (e.g. reduction of carbon leakage) of implementing other climate international commitments (e.g. Paris Agreements) - are introducing measures whose negative economic effects are being socialised with other countries.

The introduction of trade-related climate measures such as Carbon Border Adjustment Mechanisms (CBAMs) or other directives or policies that either restrict the use of production factors or increase notoriously production and trade costs are contributing further to the transformation of value chains (LSE, 2023).

This is particularly problematic for low-income countries, many of them located in Africa, who rely on participating in these global supply chains to provide employment and support economic growth in their economies. These countries, without being responsible for the increase in carbon emissions that motivate the adoption of these measures are, eventually, who need to make the costly adjustments necessary to continue participating in the process. These countries appear powerless in a context where measures are being adopted without the necessary consultation process and establishment of compensation or assistance mechanisms. Moreover, the lack of transparency and arbitrariness of these measures make almost impossible for countries to make the required domestic reforms that would have made them compliant with the requirements in the exporting destinations (Keane, 2023).

In this sense, it is necessary that G20 members take into consideration how these instruments - should they still be necessary - can be implemented without disrupting the participation of countries in global value chains and provide any necessary assistance in the compliance.

Moreover, the G20 should recognise the effects that these mechanisms have on the economies of other countries, particularly LDCs (Evenett, 2023), and in the global economic efficiency. In this sense, the G20 should work to establish the criteria to establish these types of measures to minimise their economic impact on other countries as well as designing compensation and assistance mechanisms.

In more general terms, there is a need to acknowledge and act in relation to the increase in protectionism across the world, but particularly amongst G20 countries. This protectionism is, in some cases, being justified as measures to deal with climate change; but in other cases, are directly adopted with much further justification than the need to protect domestic industries. This is partially possible because the World Trade Organisation (WTO) remains weak in relation to its capacity to resolve disputes amongst its members.

But beyond this, the WTO continues to appear incapable of acting to stop the trade wars between some of its members and the need for a reform of its rulebook appears essential but very distant. This is in addition to the fact that many members find that the existing rules, designed based on a World more open to cooperation, appear inadequate to support the needs of industrialisation and economic transformation.

Members appear increasingly frustrated with the world trading system in a context where protectionism is rising because of the ‘green squeeze’ and unilateral actions aimed at boosting domestic capabilities but which are damaging development prospects. This is a significant issue for Africa, but it will resonate with other members. The current Brazilian presidency is also focusing on this issue, so continuation of this topic, even when not delivering in the short term, might pay off later.

3.2 Development finance: Reform of the MDBs

The agenda on Multilateral Development Banks (MDBs) reform has de facto accelerated over the past few presidencies, particularly starting with Italy’s (2021) and India’s (2023). This agenda is also present in the current Brazilian G20 presidency. In this sense, the reform of the MDBs appears as having global consensus but its direction or its details remain unclear and requiring further discussion.

MDBs are relatively small institutions within the global financial architecture, but they have proved to have a potentially extremely powerful impact. For example, it is possible to leverage their balance sheets quite heavily, providing a significant multiplier in terms of resources and delivery. In this sense, each dollar paid in capital put into at the World Bank generated more than US$40 over time[6.]

Moreover, countries appreciate their relatively longer repayment periods that accommodate the profile of many of the investment projects. In addition to this, MDBs offer a comprehensive and complementary package of support to countries, such as technical assistance and knowledge, that it is greatly appreciated by governments. In this sense, MDBs appear to be more tailored to the needs of the beneficiaries than other financial institutions or instruments.

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6 Annalisa Prizzon, Michael Josten and Hayk Gyuzalyan, “Country perspectives on multilateral development banks: a survey analysis”, ODI, April 12, 2022, https://odi.org/en/publications/country-perspectives-on-multilateral-development-banks-a-survey-analysis/.

However, it is recognised that the full potential of MDBs is not fully exploited and there is significantly more that MDBs can do to increase their development impact. On the one side, the MDBs could be more efficient and maximise the lever on their balance sheets. This suggests the need to re-accommodate their financial engineering to allow them to expand the resources available for support.

Regarding the governance of MDBs, the reality is that while they have their own boards, there are no international institutions, bodies or fora to discuss the architecture and the policy directions of all the MDBs. Governance, avoiding of overlap and maximising the complementarity of the actions adopted by the MDBs tend to rely entirely on bilateral instances of coordination between them and not necessarily because of a global strategic vision.

In this sense, the global impact of MDBs could be expanded if there was an instance of global governance and coordination that takes into consideration the comparative advantages of each specific MDB and benefit from certain degree of specialisation in the support provided.

To realise this, a programme of work on the reform of MDBs should focus on two elements:

- the global governance of these institutions avoiding the creation of further and bigger bureaucracies but focusing on systematising the coordination between all the MDBs.
- a strong and bolder focus on pursuing and implementing an integration of climate and development goals; and to maximise their lending capacity, scale up finance and creating stronger incentives to work more effectively as a system (ODI, 2023)

However, a significant issue in in pursuing these reform agenda is that it is unclear what the buy-in would be and the continuation of this agenda after South Africa's presidency. In this sense, the South African Government, should consult with the US to understand the reception of these topics in its agenda for 2026.

3.3 Climate finance

Climate change appears to be the most important challenge the world is facing and its relevance and presence in a reform agenda cannot be downplayed. There is a critical need to secure agreement that the world can implement the commitments adopted by the Paris Agreements, determined by Nationally Determined Contributions.

Climate finance appears as a critical instrument to facilitate the energy transition and to mitigate the effects of climate change. Whilst it is recognised that there have been some advances, some existing finance instruments available to developing countries, especially in Africa (e.g. Official Development Assistance) are undergoing unsubstantial transformations to fit within the definitions of climate finance, or they are "greenwashed".

In this sense, in many instances, climate finance instruments are not adding to existing ones and are simply eroding existing sources. This is problematic in a context where many of the countries are falling short of providing the committed annual US$100-billion in climate finance (Pettinotti et al, 2023). In fact, only France and Germany are providing their fair share of the committed climate finance. The US, for example, is only providing 21% of its share (around 43% of the total climate finance committed).

In this sense, there are two approaches that South Africa can take. First, it can secure a firm commitment from all G20 countries to provide climate finance support additional to existing ODA commitments. Second, it can launch a meaningful global initiative on carbon markets, which aims at developing a mechanism that can develop tangible and trackable results.

3.4 The digital economy

The digital economy provides significant opportunities for delivering in a wide range of areas of extreme interest for South Africa, the Continent and the world. Not only does it provide opportunities to diversify and transform the economies, particularly of the low-income countries, but it can also contribute to the development of instruments to facilitate the integration of people and communities into the global economy.

In this sense, the digital economy could be a vehicle to facilitate financial and economic inclusion, especially around trade. The digital economy could provide an instrument to reduce poverty and inequality by opening markets to people and SMEs.

Moreover, there are a series of actions that the G20 can agree to to facilitate the operation of these mechanisms such as:

- The establishment of global digital payment systems that facilitate the transactions business-to-consumer cross border transactions appear as an accessible and extremely effective instrument.
- A cost-effective mechanism to pay for electronic traded goods and services not only can deliver in relation to the creation of economic and social opportunities, but also on other areas of the agendas such as on reducing illicit flows, increase tax revenue amongst other.

At the same time, the digital economy also brings with it significant challenges.

Artificial Intelligence (AI) appears complex and potentially dangerous. Establishing mechanisms to govern and control AI is necessary in a context where many countries are adopting unilateral actions to increase its governance.

The G20 should aim at coordinating and harmonising the actions in relation to AI governance, understanding that, whilst challenging, it provides significant opportunities for boosting global productivity. In this sense, AI governance should aim at maximising these potential benefits and, at the same time, address all the legitimate concerns that its uncontrolled nature could present.

3.5 International Tax Cooperation

International Tax Cooperation comprise a series of issues related to tax evasion, tax avoidance – particularly of large multinational corporations around digital trade sector – and the ease of trade across borders.

Also, it is worth noting that this item also includes issues associated with illicit financial flows; the losses of which have been particularly extensive.

Moreover, harmful competition between countries constitutes a race to the bottom that undermine tax bases.

There have been some notable advances towards addressing these issues. The Agreement of the G20 OECD inclusive framework – which has now been signed by 45 member states – has established rules for the global taxation of multinational enterprises under the Two Pillar Framework, including a global minimum tax agreement of 15%, as well as building the foundation for the adoption of an automatic exchange of information, which has had measurable success in helping to combat the problems of hiding assets offshore.

However, there have been several issues in the implementation so far of the Two Pillar Framework still under consideration. In particular, whilst there have been concessions made to include the interests of lower income countries, the process has revealed underlying imbalances in the power between states, either due to representation or political backing, or the lack of thereof, and in particular the capacity that members have to negotiate on these technicalities, which ultimately means that the revenue impact for low income countries might potentially be relatively small in terms of revenue mobilization.

The new role of the UN appears promising. It will seek to establish a global tax convention, an intergovernmental tax body, which aims at giving a more equal voice to more countries on the decision making in these tax issues. This is of interest for South Africa as well as the Continent.

There appears to be little space to discuss these technicalities during the G20 presidency, but there is opportunity in providing the necessary political guidance to navigate through the complexities of the technical discussions. The G20 should provide political support and guidance in the discussions and negotiations but the UN should continue being the forum for this discussion. In this sense, the G20 should encourage building on the success of the OECD rather than aiming at duplicating efforts between agencies working on tax issues.

In addition, the G20 should aim at encouraging the support provided to lower income countries to strengthen their technical capacity so they can effectively engage in the process and be able to implement and enforce the necessary domestic tax reforms that are needed to take full advantage of the new tax rules. South Africa will find support from the AU as well as other G20 countries for this.

3.6 Debt management

Fiscal responses to mitigate the immediate and lingering effects of the pandemic squeezed the fiscal resources and increased the already-elevated levels of debt prevalent in many low-income countries prior to Covid-19.

The G20 has stepped up to help ease debt burdens and address debt vulnerabilities of many lower income countries in times of significant crises. From May 2020 to December 2021, the G20 activated the Debt Service Suspension Initiative (DSSI) which benefited 48 out of an eligible 73 of the poorest countries, helping them concentrate resources worth US$12.9-billion on their Covid-19 response (World Bank, 2022). Beyond debt service suspension, the G20 recognised that addressing debt vulnerabilities require a case-by-case approach and strong coordination among creditors (e.g. from Paris and non-Paris club, private sector). In this context, the G20 launched its Common Framework for Debt Treatments beyond the DSSI ('the Common Framework') in November 2020.

However, progress has been extremely slow, undermining confidence and take up. Since its launch, only four countries have applied to the Common Framework: Chad, Ethiopia and Zambia in early 2021 and Ghana in 2023. Chad secured agreement with creditors on debt treatment nearly two years (November 2022) since its application, and Zambia after nearly 2.5 years (July 2023).

Recognising the challenges encountered in the implementation of the Common Framework, the Global Sovereign Debt Roundtable (GSDR) was launched during the G20 finance ministers and central bank governors meeting in February 2023. The GSDR is co-chaired by the G20 presidency, IMF and World Bank and comprises official bilateral creditors (Paris club and new creditors), private creditors and borrowing countries. The GSDR aims to focus on issues around standards and processes for debt restructuring processing to support the Common Framework mechanism.

Despite existing initiatives, South Africa can consider several proposals below on areas that need to be addressed by the global debt architecture[7]. It is highly relevant for the rest of Africa, especially since of 36 countries currently in high risk of or in debt distress, 21 are in Africa. In particular, the discussions could be focused around the following areas (ODI, 2023):

- Extending eligibility of the Common Framework to highly indebted MICs which may benefit from creditor coordination. Addressing MICs debt vulnerabilities is especially relevant where MICs are deeply integrated in a region where such vulnerabilities may pose contagion risks.
- Extending financing (e.g., credit line or debt service suspension) to countries undergoing debt restructuring discussions.
- Strengthening legal frameworks for public debt, such as including enhanced collective-action clauses in future sovereign debt contracts to address coordination challenges during restructurings.
- Rethinking the role of credit rating agencies' treatment (e.g. potential downgrades) of applicants to the DSSI/Common Framework, which may contribute to the non-participation of some eligible countries that could benefit from early participation in such initiatives.
- Increase transparency in debt reporting. There are ongoing efforts among some private sector lenders to contribute data in the joint Institute of International Finance (IIF)/OECD Data Repository Portal, but reporting remains voluntary.
- Design shock financing mechanisms to address short-term debt stabilisation needs but also link it to financing for building debt and macro resilience against future shocks (e.g. activating and scaling up dedicated rapid financing facilities during significant shocks; integrating disaster/pandemic clauses in sovereign lending; scaling -up concessional lending or long-maturity financing compatible with SDG financing needs).

4 Macro prudence and market conduct

The global financial crisis (GFC) in 2008/9 revealed several weaknesses in the capital bases of internationally-active banks: definitions of capital varied widely between jurisdictions; regulatory adjustments were generally not applied to the appropriate level of capital and disclosures were either deficient or non-comparable (BIS, n.d.). This suggested the need for additional policies to safeguard financial stability and mitigate its impact to the wider economy. Adding macroprudential measures to international bank regulatory frameworks through Basel III regulation published in 2010 was one of the global responses to the GFC.

Basel III requires more of higher quality capital buffer to cover unexpected losses, with additional capital requirements for global systemically important banks (GSIBs). Basel III also required higher capital requirements for market risk; constrain bank leverage; require higher liquidity provision for periods of stress; and retain bank

[7] Morsy (2023), UN (2023), Raga and others (2022), Georgiva and Pazarbasioglu (2021)

earnings during economic growth which can be drawn down during economic downturns (“countercyclical buffers”).

In 2017, the Basel III reforms were added to standardise approaches to banks calculations of risks, aimed at reducing unwarranted variability in banks’ RWA calculations. It also increased the leverage ratio requirements for GSIBs. Basel III requirements are relevant to many EMDEs (even non BCBS members), which chose to adopt global banking standards to signal openness to foreign investment or facilitate discussion with home supervisors of foreign banks in their jurisdictions (Jones et al, 2018).

However, Basel regulations are not appropriate for many low- and middle-income countries’ (LMICs) less complex and smaller markets (ODI, 2023), and regulatory authorities with resource constraints (ibid). While the BCBS endorsed proportionality principle in standards implementation, useful guidance for LMICs is still lacking (ibid).

Covid-19 was the first global test of the Basel III framework since the GFC. The BCBS was quick to reiterate as early as March 2020 that the Basel III capital and liquidity requirements are designed to be used in periods of stress. Experience during the pandemic highlight how central banks relaxed macroprudential regulations in the form of allowing release of countercyclical, liquidity and capital conservation buffers, as well as relaxing reserve requirements especially in more EMDEs (Adrian, 2021). However, studies by the IMF (Adrian, 2021) and BIS (2022) find that banks have been hesitant to use their regulatory capital buffers even if it had been necessary or encouraged by authorities to do so, potentially due to market stigma or may negatively affect banks' share price.

The overlapping nature of recent global crises and domestic pressures – Covid-19, Russia-Ukraine war, global financial tightening (higher borrowing costs; capital outflows), cost-of-living crisis, accelerating public debt – complicates the role of macroprudential policies alongside other policy tools (e.g. fiscal policy, monetary policy, foreign exchange management).

Against this backdrop, South Africa may leverage its own presidency and, with the support of the AU and other G20 members, push international organisations and standard setting bodies to understand the appropriateness of global banking standards in developing country context, and the necessity for specific implementation guidance beyond ‘phase in’ or ‘slow approach’. In the context of overlapping crises, the G20 may also provide a platform for systematic knowledge sharing/generation on effectiveness of macroprudential rules/tools alongside other policy instruments in the context of more frequent/overlapping shocks.

5 Conclusion

This paper aims to highlight the challenging landscape that South Africa will encounter during its presidency in 2025 as well as present a series of potential areas of focus to prioritise during its presidency. As such, this report aims to reflect the discussions of a workshop involving South African and international experts held on 9 February 2024 and other previous contributions made by the South Africa - UK International Economic Partnership Programme (ODI, 2023).

In the process of identifying the priorities, this paper has followed two principles. First, identifying concrete and actionable policies and agreements that could deliver on a wide range of outcomes including economic development, poverty alleviation, climate change adaptation and mitigation etc. As such, the approach is to directly discuss these issues rather than discuss the relevance of the global outcomes (e.g. global poverty reduction) which are, in general terms, shared across all G20 members and whose issues are frequently discussed in more depth in other fora. The goal is not to discuss the importance of these issues and reiterate the commitment of G20 countries to address them but rather work out some actions that require some global agreement and coordination. In this sense, South Africa's approach should be directly putting these points and issues on the table of discussion with concrete proposals and actionable plans.

Second, as much as possible, the prioritisation of themes is also motivated by understanding what the needs and interests of other critical and, potentially, circumstantial partners within the G20 are in pushing some of these items. In particular, attention has been put into considering the potential leverage from the AU, Brazil and the US as the preceding and succeeding presidents. This should contribute to maximising the likelihood of achieving some concrete results by maximising the volume created by continuation of certain topics.

Needless to say, the list of topics presented in this paper are exhaustive and this paper acknowledges that the South African Government may appreciate other areas to focus. However, the approach remains valid in terms of orienting the attention into discussing concrete actionable plans and policies, whatever they are.

The areas to focus presented in this paper will require further analysis and discussion before being enthroned as the official South African priorities. They will require further discussion with experts and, more importantly, with the engagement groups that South Africa will define as part of its presidency. In this way, it will be secured that there is sufficient ownership of this agenda by the South Africa, African and global community. Moreover, further research may be required to identify further levers that could be pulled within these areas.

This paper suggests that the following issues and actions to be discussed as part of the South African presidency:

- Introducing disciplines aimed at harmonising and increasing transparency of climate-related trade measures (e.g. CBAMs) to reduce their economic impact beyond the countries that introduce them.
- Commitment to provide financial assistance to lower income countries affected by climate-related trade measures to facilitate compliance and certification.
- Improve the global governance of MDBs by creating a forum or body that oversees and facilitates the coordination of their actions, with the aim of increasing the benefits of specialisation and maximising their development impact.
- Introduce requirements and guidelines in MDBs to integrate climate and development goals; and to maximise MDBs lending capacity, scale up finance and creating stronger incentives to work more effectively as a system.
- Commitment by the developed G20 members to effectively provide the promised annual US$100-billion for climate finance.
- Agreement that the committed climate finance needs to be additional to existing ODA commitments.
- Agreement on a framework to establish a global electronic payment system aimed at reducing transaction costs, reducing illegal flows and supporting countries' tax revenue collection.
- Agreement on the development of international framework for the regulation of AI, aiming at coordinating and harmonising the actions in relation to AI governance.
- The G20 should aim at providing the political support to the technical discussions at the UN on international taxation, aiming at building upon existing proven frameworks.

- Commitment to provide financial and technical support to strengthening the technical capacity of lower income countries so they can effectively engage in the process and be able to implement and enforce the necessary domestic tax reforms that are needed to take full advantage of the new tax rules.
- Agreement on extending eligibility of the Common Framework to highly-indebted MICs which may benefit from creditor coordination; extending financing (e.g. credit line or debt service suspension) to countries undergoing debt restructuring discussions.
- Agreement on establishing a task force to rethink the role of credit rating agencies' treatment (e.g. potential downgrades) of applicants to the DSSI/Common Framework, which may contribute to the non-participation of some eligible countries that could benefit from early participation in such initiatives.
- Establish a task force to discuss the appropriateness of global banking standards in developing country context and design a specific implementation guidance beyond 'phase in' or 'slow approach'.
- Establish a platform for systematic knowledge sharing/generation on the effectiveness of macroprudential rules/tools alongside other policy instruments in the context of more frequent/overlapping shocks.