G20 AND AFRICAN UNION DEVELOPMENT: BUILDING ALLIANCES FOR SUSTAINABLE DEVELOPMENT

Rwigema, P. C.

The Strategic JOURNAL of Business & Change MANAGEMENT
ISSN: 2312-9492 www.strategicjournals.com
Vol. 10, Iss.1, pp 38 – 79. January 12, 2023. www.strategicjournals.com, ©Strategic Journals

G20 AND AFRICAN UNION DEVELOPMENT: BUILDING ALLIANCES FOR SUSTAINABLE DEVELOPMENT

Rwigema, P. C.

PhD, PGDE, Member of East African Legislative Assembly (EALA)

Accepted: January 2, 2023

ABSTRACT

US-Africa summit leaders' session on partnering on the African unions Agenda 2063 held in Washington on December 15, 2022 US president Joe Biden announced that he would support the African Union joining the G20 group of large or major economies as a permanent member part of Washington's effort to reinvigorate ties with a region that has taken a back seat to other priorities in recent years. India holds the presidency of the G20 from December 2022 to November 30 2023. Brazil would host the G20 in 2024 followed by South Africa in 2025. The group of twenty (G20) was formed in 1999 and was originally a meeting the ministers of finance and governors of central banks in the effort to broaden the discussion of policies that are beneficial for reasoning the global economic and financial crisis. The group of twenty (G20) is the premier forum for interpretation economic cooperation. The G20 leaders' summit 2022 convened under the Indonesian presidency focused on three pillars; Global Health Architecture, Sustainable Energy Transition and Digital Transformation through these pillars Indonesia will continue to take the lead on ensuring equitable access to Covid-19 vaccines, promoting sustainable and inclusive economic development through MSMEs participation and digital economy. The African Union's (AU) Agenda 2063 "The Africa We Want" has defined a vision and action plan for the continent's sustainable socio-economic transformation. Its first 10-year implementation strategy was adopted by the AU Summit in 2015. Africa also has a strong commitment to the implementation of the 2030 Agenda for Sustainable Development that heads of state and government decided upon at the UN Summit in September 2015. The Agenda 2063 as well as the 2030 Agenda for Sustainable Development should define the engagement between the G20 and Africa. At the G20 Hangzhou Summit in September 2016, G20-leaders adopted the G20 Action Plan on the 2030 Agenda reaffirming their commitment to align their work with the 2030 Agenda and to enhance policy coherence for sustainable development. Building on the achievements of the Chinese presidency, the German G20 presidency intended to foster G20 cooperation and partnership with Africa. From the Rwandan aspect it can be seen Rwanda harnessed the G20 Compact with Africa (CwA) initiative as a framework to accelerate and consolidate its economic transformation agenda in line with the country's Vision 2050. The CwA will enable Rwanda to develop its infrastructure, grow the private sector, eradicate poverty, expand its middle class and increase inflows of foreign direct investment (FDI). All the economic stakeholders are enthusiastic about the direction and potential of the CwA in Rwanda so far. Initial analysis shows a strong take-off in the country in the development of the macroeconomic, business and financial frameworks of the compact. The Rwandese case proves that a reform culture capital is an asset that surpasses the availability of natural resources. Yet despite its reform-centred *leadership and its status as a reform-based role model, it is unlikely that Kigali would be able to influence the region, let alone the entire continent.*

Keywords: *Sustainable development, sustainable economic development, goals, G20*

CITATION: Rwigema, P. C. (2023). G20 and African Union development: Building alliances for sustainable development. *The Strategic Journal of Business & Change Management,* 10 (1), 38 – 79.

INTRODUCTION

Since its transition from a meeting of Finance Ministers to a forum that operates at the level of Heads of State, the G20 has adopted a much broader agenda and has become the „premier forum for international economic cooperation" (Toronto Declaration, 27 June 2010). The initial focus of the G20 was on addressing the global economic crisis, but it is now driven by the objective of creating strong, sustainable and balanced global growth. In Toronto, G20 leaders recommitted themselves to narrowing the development gap and established a Development Working Group under the co-chairmanship of Korea and South Africa. The Development Working Group was tasked to prepare multiyear action plans. The Seoul Summit of 11-12 November 2010 adopted the multi-year action plans, which have been termed the Seoul consensus on development.

Africa has shown strong commitment towards the 2030 Agenda for Sustainable Development. With the Agenda 2063 the AU has defined a vision and action plan to support long-term sustainable development on the continent. At the G20 Hangzhou Summit in September 2016, G20-leaders agreed to enhance policy coherence on sustainable development and reaffirmed their commitment to align their work with the 2030 Agenda. Building on the achievements of the Chinese presidency, the German G20 presidency is expected to highlight G20 cooperation with Africa.

Participants will draw lessons from previous global initiatives to support sustainable development in Africa (e.g. as part of G7/G8 partnerships or BRICS countries' cooperation with Africa) and analyze advantages and challenges to building alliances between African actors and the G20. In addition, conference participants will analyze a select range of topics to explore how Africa and the G20 could cooperate, including: infrastructure investment and industrialization; e-commerce and the digital economy; extractives, taxes and illicit financial flows; agriculture, food security and climate; trade and investment; and the enabling social and political environment. The conference will thereby address priorities of the German G20 Presidency and explore potential follow-up by future G20 presidencies in order to support a more long-term and sustainable cooperation between Africa and the G20.

The Johannesburg T20 Africa Conference on Africa's and G20's potential to further the implementation of the 2030 Agenda for Sustainable Development is part of the official T20 programme during the German G20 presidency.

THE G20 AND AFRICA – AN ALLIANCE FOR SUSTAINABILITY?

Cooperation with Africa is high on Germany's agenda for its G20 Presidency. This creates high expectations for Germany and Europe's future policies on Africa. The arrival of global initiatives for strengthening positive economic and societal trends in Africa is timely. Mega-trends such as demographic change and urbanization will have a major impact on sustainable development on the African continent and throughout the world. What and how much can one expect of the latest initiatives?

Through its proposal for a partnership with Africa, the German Presidency is building on a range of initiatives which promise to increase the quantity and quality of cooperation arrangements with

Africa. For example, the Chinese G20 Presidency promised support for industrialization at the Hangzhou Summit. And the G7 nations agreed measures for food security and health care provision in Africa, though these have been implemented with only limited impact to date. The United Nations, the European Union and the BRIC(S) countries are working to promote sustainable development in Africa. With all the existing initiatives, African governments and the German public are now watching closely to see what added value will be generated by yet another drive in Africa policy. While not part of the G20 agenda, the Cornerstones of a Marshall Plan with Africa recently presented by German Development Minister Müller are serving to increase this interest (Ansoms & Rostagno, 2020).

The policies of the G20 states directly impact upon sustainable development in Africa and vice versa. Just take a look at climate change or the consequences of the financial and economic crisis, for example. Given these interdependencies, it would be better to integrate African perspectives across the G20 working groups rather than relying on individual initiatives and on discussions within the G20 Development Working Group.

The use of private investment and infrastructure development to bring about change in economic structures is at the heart of current cooperation agendas. This is a step in the right direction when it comes to working consistently towards sustainable development. Change in economic structures depends on political transformation. If profits from private investment are to make a lasting contribution to increasing social stability and prosperity for the population at large, then we need political distribution mechanisms. Democracies are better able to deliver on a lasting basis economic growth and public goods such as health care for the population. The range of political models among the G20 states means this is no easy task. However, all reform efforts will come to nothing unless the G20 succeeds in integrating economic reforms with broad-based political transformation.

The G20 prepares political decisions, but has no institutional implementation apparatus of its own. For instance, it can serve to prepare political agreements in other international forums, such as for the forthcoming Africa-EU Summit in November 2017. If the G20's sustainable development work with Africa is to be effective, then it is necessary to continue consolidating cooperation between the G20 and African states once Germany's G20 Presidency has come to an end. Consequently, it is especially important to ensure close coordination with Argentina and - most likely - India, who will succeed Germany as G20 Presidents. Developing mechanisms beyond those of G20 member South Africa to facilitate institutionalized and permanent dialogue between African organizations such as the African Union and the African Development bank is key. Ultimately, the success of recent German initiatives (such as the Compact for Africa), announced by German Finance Minister Schäuble at the G20, and the Marshall Plan with Africa depends upon their close linkage with measures such as the European External Investment Plan.

The G20 Presidency should stress the opportunities offered by international cooperation, but also identify clearly its limitations. Germany's G20 Presidency is having a tremendous effect in regard to raising the profile of the German Federal Government's policy on Africa. By announcing the Compact for Africa and the development of a Marshall Plan, the Federal Government has created high expectations among partners in Africa and elsewhere. While international trade, finance, development and security policies can play a key role, the sustainable development of Europe's neighboring continent rests primarily in the hands of African governments and societies.

Consequently, managing expectations will be a key part of preparations for the G20 initiative, especially with regard to the objectives, feasibility and effects of the German initiatives. The success of these initiatives is dependent upon public communications activities and intensive, high-profile political consultations with African partners.

It is necessary to listen to and take account of African interests and priorities at an early stage. If Germany fails to manage expectations, then it risks losing legitimacy in its relations with Africa.

G20 Compact with Africa

The Compact with Africa is a new way of lending economic development in Africa a lasting impetus. While conventional forms of development aid have achieved important results in terms of health care, education and food security, self-sustaining economic development is still a long way off for many African economies. Achieving sustainable growth and a high standard of living requires a private sector which has the capacity to invest and provide a sufficient number of new jobs, especially jobs for young people.

Launched under Germany's G20 presidency in 2017, the Compact with Africa aims to improve the environment for local start-ups and private investments in African partner countries. The Compact stands for a new quality of partnership and cooperation. Now it is the African partner countries deciding, from a local perspective, which reforms should be deployed in order to improve their macroeconomic environments and business climates. For example, the Compact countries can decide how to best go about establishing a functioning revenue administration, managing public debt and combating corruption. The members of the G20 and international organisations then offer specific support to help with implementation.

Thus the Compact with Africa overturns the approach whereby it is mainly the donor countries making decisions on public aid projects – an approach which, so far, has unfortunately often prevailed. The Compact provides incentives to encourage initiative-taking in the countries themselves. It puts the African partner countries in a position where they can establish reliable policies that boost confidence in their countries and attract investors. The Compact, as Akinwumi Adesina, President of the African Development Bank, has rightly stated, brings welcome "winds of change".

Robust economic cycles and value chains translate into jobs. This is why one of the aims of the Compact with Africa is specifically to strengthen small and medium-sized businesses in Africa. But if all this is to genuinely create confidence, we must ensure that investments offer a real future and come with decent working conditions. For this reason, Germany has successfully advocated for training programmes for young people in rural areas to be established alongside the G20 initiative. The Compact also helps improve education and training opportunities for girls and young women.

The Compact with Africa stands for a genuine form of partnership which transforms development cooperation into joint economic development. Benin, Ivory Coast, Egypt, Ethiopia, Ghana, Guinea, Morocco, Rwanda, Senegal, Togo and Tunisia have already joined the Compact. Burkina Faso has recently joined as the twelfth country. Germany has mobilized substantial resources to support the Compact and the reform partnerships. We promote startups, provide guarantees for business transactions and help set up institutions. The German government will be releasing additional funds this legislative term to support investments and companies in Germany's Compact partner countries. The Compact with Africa is being coordinated by the G20 finance ministers in consultation with the African Development Bank, the World Bank and the International Monetary Fund.

Consolidating and Accelerating Rwanda's Transformation Agenda

In 2007 Rwanda recorded economic growth of 8% against an average of 3% from 1994– 2006[1]. This signified a break with its troubled past and made it the fastest growing economy in Africa. The country's economic achievement has been

[1]Ansoms A & D Rostagno, 'Rwanda's Vision 2020 halfway through: What the eye does not see', Review of African Political Economy, 39, 133, 2012, pp. 427–450.

attributed to the effectiveness of the national transformation agenda, guided by Vision 2020. Launched in 2002, the focus of Vision 2020 was good governance, an effective state, human capital development, a vibrant private sector, infrastructure development and modernized agriculture[2].To rejuvenate, accelerate and realign Vision 2020 to new trends in the socio-economic and socio-political space dictated by technology and globalization, the National Strategy for Transformation (NST) has been adopted. The strategy is a seven-year undertaking that will culminate in Vision 2050[3]. Building on Vision 2020, the NST seeks to achieve high standards of living, the development of modern infrastructure and livelihoods, and transformation for prosperity. Given this national commitment to transformation, it is not surprising that Rwanda seized the opportunity offered by the CwA initiative in 2017. The CwA's agenda is to 'foster sustainable and inclusive economic growth and development', [4]which mirrors Rwanda's appetite for transformation. Launched under Germany's presidency of the G20 in 2017, the CwA initiative aims to encourage private investments in infrastructure development that will result in employment creation. The initiative focuses on reforming three economic fundamentals: macroeconomics, business and finance. The African Advisory Group, co-chaired by South Africa and Germany, governs the CwA. The initiative is coordinated by the African Development Bank, the International Monetary Fund (IMF) and the World Bank. [5] Yet the initial conceptual assessment of the CwA reveals that the initiative is not a cure-all for Africa's economic challenges, as it fails to adequately address issues of inclusive growth and poverty eradication. It is also a departure from the Millennium Development Goals and the Sustainable Development Goals. [6] Economic growth does not necessarily lead to poverty reduction, [7] and the compact does not address clearly the public debt challenge. Furthermore, the CwA ignores the role of small and medium enterprises in African economies. [8] A preliminary analysis of the CwA in Rwanda shows the initiative's considerable economic potential. It is in this vein that this policy briefing examines how the CwA framework is consolidating Rwanda's transformation. It looks at why Rwanda was attracted to the CwA's framework despite the progress it was making towards transformation over the last two decades. The briefing then considers the potential role Rwanda can play in promoting the CwA in the region and on the continent at large.

Tracing Rwanda's transformation agenda

The foundation stage (1994–2004)

Emerging from its troubled past with a battered economy and a challenging socioeconomic environment, the foundation stage under the mantra 'never again' focused on reconstructing the national institutions that would drive transformation. Social, political, economic and judicial institutions were reconstructed and redefined with humanitarian, financial and technical assistance. With the help of the IMF's Enhanced Structural Adjustment Facility in 1998, Rwanda was

[2] Rwanda, Ministry of Finance and Economic Planning, 'Rwanda Vision 2020', 2002, http://dad.minecofin.gov.rw/images/MINECOFIN %20-%20Report_English%20Online.pdf, accessed 5 January 2023.

[3] World Bank, 'Rwanda Global Inclusion (Global Findex) database 2017', https://datacatalog.worldbank.org/dataset/rwanda-globalfinancial-inclusion-global-findex-database-2017, accessed 5 January 2023.

[4] G20 Germany, 'G20 leaders' declaration: Shaping an interconnected world', Hamburg, 7–8 July 2017, http://www.g20.utoronto.ca/ 2017/2017-G20-leaders-declaration, accessed 5 January 2023.

[5] World Bank, 2017, op. cit.

[6] Kappel R & H Reisen, G20 Compact with Africa: The Audacity of Hope, Friedrich Ebert Stiftung, November 2019, https://www.fes. de/referat-afrika/neugikeiten-referat-afrika/studie-g20-compact-with-africa.

[7] Rainer T et al., 'African Economic Development: What Role Can the G20 Compact Play?', DIE (Deutsches Institut für Entwicklungspolitik) Discussion Paper, March 2018, https://www.die-gdi.de/uploads/media/DP_3.2018.pdf,.

[8] IMF (International Monetary Fund), 'IMF concessional financing through the ESAF', April 2004, https://www.imf.org/external/np/exr/ facts/esaf.htm.

able to repair and expand its infrastructure. By 2007 about 75% of the manufacturing companies were back on their feet and had achieved a 75% capacity utilization. Driven by Vision 2020, Rwanda adopted the Poverty Reduction Strategy Paper 1, 2002–2006. This medium-term strategy focused on poverty reduction by creating employment and ensuring the financial inclusion of the vulnerable in society. During this period, a solid foundation for the transformation agenda was set. Slowly but surely the unemployment rate started to drop. Poverty levels were reduced from 60.4% in 2000–2001 to 56.9% in 2005. Local and international investor confidence began to grow. FDI increased to $11 million in 2004 from zero in 1994. Macroeconomic stability was achieved. With socio-economic cohesion, evidence-based reform and a national culture backed by solid institutions, Rwanda was on a transformation trajectory by the end of 2004.

The development stage (2005–2018)

Guided by Vision 2020 and leveraging the gains of the first post-conflict decade, 2005– 2016 saw the focus shifting to economic expansion and structural transformation of the economy. As an agrarian-based economy at the start of the second decade, agriculture contributed about 80% of economic activity. A total of 14% came from the manufacturing sector and 6% from tertiary industry. Through a wide range of programmes, Rwanda developed the industrial and tertiary sectors of its economy, in the process raising gross domestic product (GDP) to 8% in 2007, with an annual average of 6.5% every year until 2018. Socio-economic transformation in Rwanda was in full swing by the end of the second decade post-genocide. In terms of infrastructure development, considerable progress was recorded in the energy, transport, water and sanitation sectors. Electricity access increased to 34.5% in 2017 – up from 26.97% in previous years. In the transport sector, an 85.27km road network was upgraded and 72.8% of roads are now in a good condition. Kigali International Airport was modernized and the construction of a new airport in Bugesera began in 2018. In the water and sanitation sector, water production increased from 45 031 510m3 to 48 977 110m3 by the end of 2017. The country's ranking on the Ease of Doing Business Index improved and corruption levels dropped significantly. The governance index also improved, as did its ranking on the Risk of Doing Business Index. Table 1 summarizes the transformation indicators.

Table 1: Rwanda's business environment indicators, 2017

Indicator	Score/rank	Comment
Risk	71.1%/32	A good world ranking on the indicator of economic freedom
Corruption	56/56	Perceived as less corrupt
Governance	68 (score)	A very good governance record
Ease of Doing Business	73.0/41	A very high score and the best in East Africa

Sources: Heritage Foundation, '2017 Index of Economic Freedom: Explore the data', https://www.heritage.org/index/explore, accessed January 5, 2023; Transparency International, 'Corruption Perceptions Index 2017', https://www.transparency.org/news/feature/corruption_ perceptions_index_2017, accessed January 5, 2023; World Bank Group, Doing Business 2018: Reforming to Create Jobs, 2018, https://openknowledge.worldbank.org/handle/10986/28608, accessed January 5, 2023; World Bank Group, 'Worldwide good governance indicators', 2018, https://info.worldbank.org/governance/wgi/, accessed January 5, 2023.

These indicators confirm Rwanda's transformational culture capital. Built and nurtured over two decades, its transformational culture is the cornerstone of the country's socio-economic achievements. In the post-genocide recovery period, Rwanda developed a self-sustaining economy with the support of external funding in the form of grants and technical support. The NST (2017–2024) as a medium-term strategy ushered in the long-term Vision 2050. Core to the vision is consolidating and accelerating the transformation agenda. The five pillars of the agenda are: quality of life, modern infrastructure and livelihoods, transformation for prosperity, values for Vision 2050, and international cooperation and positioning. Yet despite these achievements, the Rwandese economy has infrastructure deficiencies, balance of payments (BoP) challenges, poor human capital development, and a very limited private sector.

Rwanda's transformation agenda and CwA: The attraction

What attracted Rwanda to the CwA? The initiative came at a time when Rwanda was looking for ways to accelerate and consolidate its transformational agenda, and the CwA was a suitable vehicle to achieve the acceleration. Vision 2050, with the NST as its prelude, addresses the deficiencies of the previous programme, while the CwA provides the framework to attend to them.

Central to the CwA initiative is infrastructure development. The availability of safe, reliable and affordable infrastructure, as alluded to by the Economic Development Poverty Reduction Strategy 11 (2013–2018), is essential for the acceleration and consolidation of the country's socio-economic transformation. Most of Rwanda's infrastructure development has been driven by the government and the donor community. The financial demands of infrastructure engagement require the participation of the private sector. The benefits of private sector involvement in infrastructure development include efficient use of resources, livelihood opportunities and employment creation, and demand-led provisions that both address market needs and are innovative in nature. In the first two decades post-genocide, the government encouraged private sector participation in infrastructure development through the promotion of the Private Sector Participation Programme. The initiative has not had much financial and technical support from the local private sector, for the following reasons:

- The private sector is small. It comprises small enterprises with low returns and a few large businesses. The Private Sector Development Strategy's mandate between 2013 and 2018 was aimed at stimulating the growth of the private sector.
- The stock market is still young. It was founded in 2005 and lists seven securities.
- A limited private sector means a limited middle class, and
- Rwanda is no exception. A small middle class means low demand for goods and services.

With a small private sector and constrained capacity to participate in infrastructure development, Rwanda has to find other players beyond the donor community to address its infrastructure deficit. The country needs a railway line to link up with the subregion and reduce the cost of transport. The Isaka–Kigali rail project needs financing of $1.3 billion. Other notable infrastructure deficits are in electricity, road networks, water and sanitation, estimated at $14 billion. The CwA initiative provides Rwanda with an opportunity to attract FDI in the form of a public–private partnership (PPP) model in infrastructure development. PPPs are likely to create jobs and reduce unemployment in Rwanda, which will contribute to poverty reduction by keeping up with demand and expanding services, resulting in a recruitment drive. Between 2003 and 2014, FDI from PPPs created 600 000 jobs in Africa. Most of these jobs were in low-skilled sectors. In general, PPPs are attractive to Rwanda because they are an off-the-balance-sheet arrangement; they do not have a direct impact on the country's debt levels. PPPs lessen the government's financial burden in infrastructure and mitigate Rwanda's over-reliance on public development funding. PPPs also bring technical resources.

However, PPPs do carry a hidden risk – should the private risk arise, it can easily translate into public debt, thereby increasing debt levels in Rwanda. Furthermore, PPPs adopt the World Bank Guidance, which puts private interests ahead of public interests. For example, after natural disasters the government is mandated to compensate the private investor for any losses. Furthermore, should the host government make legislative changes that affect PPPs negatively, it has to compensate them. In Mexico the government took over 23 projects and paid outstanding debt to Mexican banks (totalling about $5 billion) and construction companies (totalling about $2.6 billion). The concept of country ownership in the CwA is thus compromised. This is compounded by the fact that, should a dispute arise within a PPP, it is settled in the International Court of Arbitration. The CwA initiative's appeal to Rwanda can be traced to the reform theme. The CwA advocates evidence-based reforms. Rwanda has built a reform culture capital that has driven its transformation so far. The CwA mirrors what Rwanda has successfully employed to turn around its economy. It is not surprising that the country joined the initiative upon its announcement. The administrative reforms that Rwanda has achieved in the last decade are, on their own, not enough to allow it to achieve the short-term goals of Vision 2050. Rwanda needs private finance. Having attained macroeconomic stability and good governance, the country is a good destination for private investment, and the CwA is the platform to assist Rwanda in that regard. Administrative reforms need to be accompanied by sustainable costs of doing business, hence the CwA model's appeal. To accelerate and consolidate transformation in a bid to eradicate poverty and propel the economy towards a middle-income-country status, Rwanda needs to address its infrastructure deficiencies. With reduced donor community funding and the relatively limited local private sector, the government will struggle to achieve this. The CwA, through the G20 embassies and international organisations (IOs), offers Rwanda a good framework to attract FDI in a PPP model. As Rwanda has an impressive reformer curriculum vitae and the CwA a reform orientation, common ground was found. The CwA is now central to consolidating and accelerating Rwanda's economic gains.

Vision 2050: High Standards of Living for Rwandans

Vision 2050 is about ensuring high standards of living for all Rwandans. Elaboration of the Vision 2050: society we live in and the society we want

Five main areas includes: 1. Quality of Life 2. Modern Infrastructure and livelihoods 3. Transformation for prosperity 4. Values for Vision 2050 5. International cooperation and positioning.

Quality of Life

Expected standards for all Rwandans:

- Sustained food security and nutrition for all households and age groups
- Universal, sustainable and reliable access to water (in houses) and sanitation
- Affordable, sustainable, reliable and modern energy
- Universal access to:
    - quality health care and services
    - quality education
    - financial services
    - dignified and SMART housing (with high speed internet)
    - pension, medical insurance and savings
- Environmentally friendly and climate resilient surroundings
- Sustained national security

The Strategic Journal of Business & Change Management. **ISSN** 2312-9492 (Online) 2414-8970 (Print). www.strategicjournals.com

Transformation for prosperity

Increased productivity and competitiveness while providing jobs for Rwandans.

- Diversified tourism
- High value IT and tech services/industry: e.g. electronics
- Business and financial services
- Logistics and aviation: airline, airport, drones, ports, etc.
- Agro-processing: advanced food industry, technology intensive agriculture with a commercial focus
- Scientific and technological innovations: e.g. nanotechnology and biotechnology
- Construction industry; e.g. housing, local materials development and expansion)
- Extractive industries (mining, oil and gas): with focus on value addition

Key pillars of African growth

The Seoul G20 summit has added development firmly to upcoming G20 agenda. This is quite an achievement and was the result of the hard work of the Korean presidency. A paper to stimulate thinking on development issues was published by the Presidential Committee for the G20 Summit in Korea on 17 June 2010. This proposed a focus on the economic aspects of development for the G20 and argued that economic growth is a necessary condition for achieving poverty reduction. Winters et al. (2010) provide a further discussion. This section focuses on these eight key pillars of economic growth (infrastructure; private investment and job creation; human resource development; trade; financial inclusion; growth with resilience; food security; and governance. Knowledge sharing is sometimes mentioned as a ninth pillar) from an African perspective.

Growth is crucial for development and poverty reduction. Over the longer term, it will not be possible to reduce poverty without sustained economic growth. However, over the short to medium term, some patterns of growth may reduce poverty faster than others. Moreover, in some cases, reductions in poverty and inequality are instrumental to growth (World Bank, 2008).

The extent to which growth reduces poverty has been disputed for at least 30 years (Deaton, 2003) because it depends on countries and periods and by definition the type of growth. One view is that Africa cannot make substantial reductions in poverty without economic growth. Since the second half of the 1990s, a period of relatively high growth has helped reduce poverty in many African countries. However, in several countries, owing to the persisting unemployment and highly unequal income distribution, the poor did not benefit from GDP growth. This explains the complexity of the relationship between economic growth and poverty, because while growth does affect poverty, there are many other confounding factors at play. Poverty is both much higher and less elastic to growth in Africa than anywhere else.

The mean poverty rate in terms of headcount index for SSA remains nearly four times that of nonSSA developing countries‟ trends (Ravallion, 2009). Kalwij and Verschoor (2007) confirm this and find that poverty is twice as responsive to economic growth in East Asia as in the SSA region. Similarly, Fosu (2009) finds that on average the same growth rate accompanying a 1% decrease in the USD 1 headcount poverty index in non-SSA is associated in SSA with a mere 0.39% reduction (AfDB and OECD, 2010). He suggests that the growth impact is likely to differ by country in SSA, depending primarily on the inequality attributes of countries. Thus, understanding the inequality generating characteristics of individual countries could help in designing the most effective poverty reducing strategies for Africa. While economic growth appears to be a precondition for poverty reduction, it is by no means sufficient. For governments to be able to undertake pro-poor strategies, the quality of growth matters as much as its intensity. Pro-poor policies therefore remain crucial for translating aggregate GDP growth into real increases in available income for the majority. Such real increases could include improving access to land, enhancing labour and capital markets, and promoting investment in basic social services, social protection and infrastructure (AfDB and OECD, 2010).

It is also worth asking whether growth (and the G20‟s support to growth) could be more inclusive and what, if any, the G20‟s role is in this. There are at three ways through which the G20 can promote growth that benefits the poor:

- Promote the interest of the poorest indirectly by promoting economic growth through progress in the growth pillars; given that growth is crucial for sustained poverty reduction national governments would need to put in place complementary policies to benefits the poorest.
- Promote the interest of the poorest economic growth by emphasizing those pillars that are the most binding constraints to growth and most binding to poverty reduction.
- Promote the interest of the poorest by promoting progress in each pillar only when it has a direct impact on the poor.

Infrastructure development and transport costs

A large proportion of Africans live in the interior of the continent and face enormous transport costs, for geographical and other reasons. The small market size of many African economies compounds problems of isolation and landlockedness. With the exceptions of South Africa and Nigeria, most African countries had a GDP of less than $30 billion in 2005. Average annual GDP per capita in Africa is around $1,000 (Radwan et al., 2010). Small developing countries with little access to global trade tend to grow more slowly than countries with large internal markets or with easy access to trade (such as Singapore) (Sachs et al., 2004).

Transport costs and lack of (power) infrastructure are key impediments to development in the region. Evidence suggests that SSA is facing very high transport costs (e.g. Figure 1). Meanwhile, Limao and Venables (2000) estimate that halving transport costs could increase the volume of transport by a factor of five. There is a large literature on the link between infrastructure and growth suggesting that power in particular is an important pillar. Estache (2006) suggests that economic returns on investment projects average 30-40% for telecommunications, more than 40% for electricity generation and more than 80% for roads. Cross-country estimates by Esfahani and Ramirez (1999) suggest an elasticity of per capita output with respect to power generation capacity of 0.15. Deininger and Okidi (2004) examine growth and poverty reduction in Uganda during the 1990s. They suggest that a doubling of electricity coverage (through a doubling in generating capacity) from 7% to 14% would lead to an annual increase in incomes of 3.6%. Calderon and Serven (2008) provide new empirical estimates on the effects of infrastructure on growth in Africa using econometric regressions for a wider panel of 52 countries for Africa.

Hence, growth requires, among other things, large investments in infrastructure to break down these internal barriers holding Africa back, from rural roads and small-scale irrigation to regional highways, railways, larger power projects and information and communications technology (ICT). The Africa Infrastructure Country Diagnostic (AICD) finds that Africa trails other regions in infrastructure, and that this deficit hampers growth and productivity (Foster, 2008). The study in 24 African countries shows that the poor state of infrastructure in SSA – its electricity, water, roads and ICT – cuts national economic growth by 2 percentage points every year and reduces business productivity by as much as 40%. If SSA could achieve the infrastructure development of Mauritius, annual GDP growth in the region would rise by 2.3 percentage points. The AICD finds that Africa spends $45 billion a year on infrastructure, two-thirds of which is financed domestically from taxes and user charges. However, most financing for capital investment is obtained from external sources. According to recent estimates (Foster and Briceño-Garmendia, 2009), Africa needs $93 billion per year to build the infrastructure it needs to support growth and meet stated development goals. Two-thirds of this sum is for investments and the remaining third for maintenance. It is also important to ensure efficient transport services by promoting competition principle in the transport sector.

Whilst infrastructure is good for growth, different types of infrastructure could have different effects on poverty. Kingombe (2010) argues that the benefits that roads bring to rural areas are often seen as so obvious in the development literature that they are listed rather than discussed. However, infrastructure and the construction sector could be seen as a catalyst for labour-based pro-poor growth: The lack of up-gradation of productive, social and access infrastructure hampers economic development, and generally isolates poorer remote communities. Infrastructure represents a significant proportion of GDP, public investment, and donor support in developing countries. The potential for labour absorption is particularly high in this sector: Labour-Based Technology (LBT) methods account for 50-60% of total costs in several country case studies.

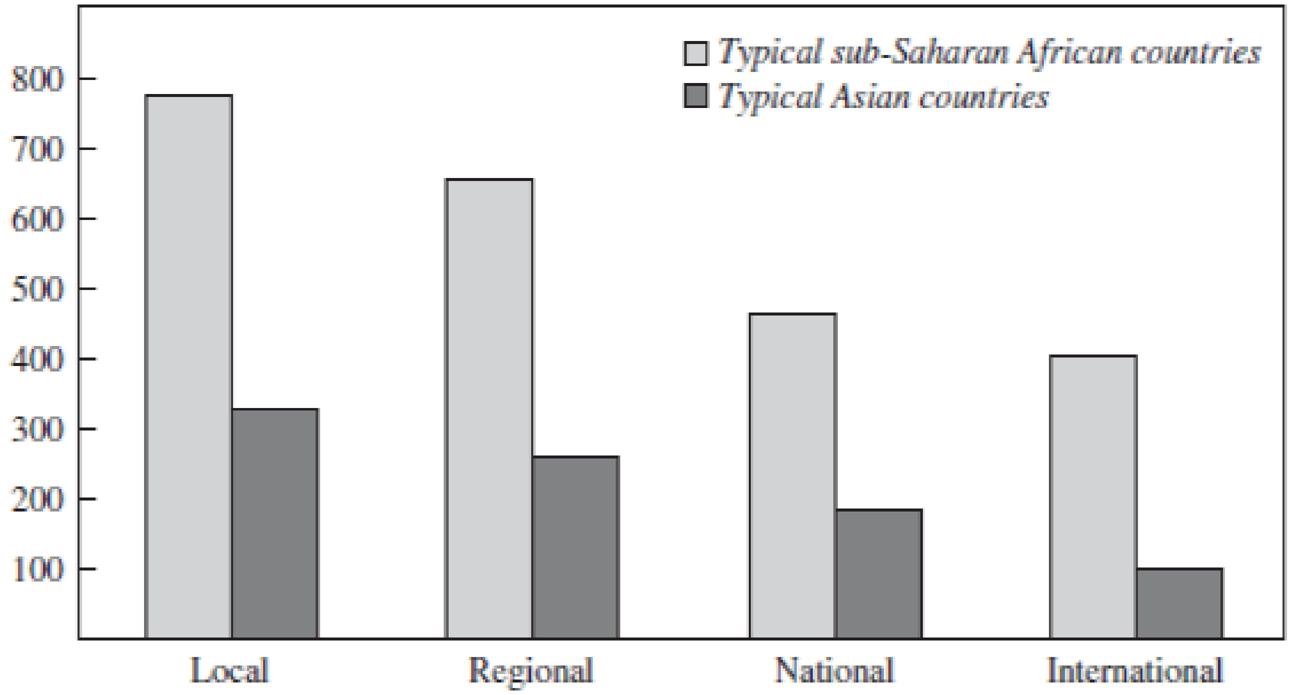

Figure 1: Transport costs in typical SSA and Asian countries ($ per ton per kilometre)

Source: Sachs et al.(2004).

Private investment and job creation

Most investment in African occurs through the domestic sector. However, there is also a considerable amount of foreign investment, and this is not just from developed countries and does not relate to FDI alone. A recent paper by Brambila-Macias and Massa (2010) examines the relationship between economic growth and four different types of private capital inflows (crossborder bank lending, FDI, bonds flows and portfolio equity flows) in 15 selected African countries in 1980-2008. They find that FDI and cross-border bank lending have promoted SSA growth.

FDI is no longer an activity undertaken exclusively by firms from developed countries. The growth of multinational enterprises (MNEs) and international investors, especially from the emerging market economy (EME) members of the G20, such as China, India, Russia, Brazil and South Africa, has begun to focus attention around the world on the role of these new players. The rise of outward investment from EMEs has contributed to the growth in FDI globally. In 1980, global FDI outflows totalled $52 billion; EMEs accounted for only 6% of this figure. By 2007, global FDI outflows approached $2 trillion, and EMEs accounted for over 15% (or $300 billion) of the total (Sauvant et al., 2010; UNCTAD, 2010b). Section 5 discusses South African FDI in the rest of Africa and Te Velde et al. (2010) discuss EME investment in Africa more generally.

There are a number of barriers to FDI in Africa. While there is a literature on the determinants of FDI based on a cross section of countries (see e.g. Te Velde and Bezemer, 2007). These relate to infrastructure, skills, administrative procedures, availability of natural resources, the regulatory framework and governance. However, the most pressing barriers are often country-specific, needing country-level diagnostics.

FDI has direct employment effects and also indirect effects, through job creation among suppliers and service providers and through increasing incomes (Lee and Vivarelli, 2004). Such positive employment effects of „greenfield" FDI have to be compared with the crowding-out of noncompetitive domestic firms and with the possible reduction in employment associated with FDI operating through mergers and acquisitions (M&A). According to Spiezia (2004), FDI is more labour-intensive than domestic investments in only a minority of countries. Moreover, estimates suggest that the impact of FDI on employment is increasing with per capita income of the host country (Santarelli and Figini, 2004). Based on research conducted into the effects of FDI on wages in five East Asian countries and the effects of foreign ownership in five African countries, Te Velde and Morrissey (2002) find that, although FDI contributes to growth in developing countries, there is evidence that the benefits are not distributed equally. Foreign firms tend to pay higher wages in developing countries, but skilled workers tend to benefit more than less-skilled workers. This is in part because FDI brings a bundle for technological change, skills and innovation. Te Velde (2004) argues that the effects of FDI on equity and poverty reduction is greatest when complementary domestic policies are put in place, such as promotion of domestic suppliers and domestic skills.

Human resource training and development

While there has been considerable attention to universal primary education (UPE) in African countries, this may have come at the cost of a more balanced approach to the whole education sector. The International Labour Organization (ILO, 2008) suggests that inadequate education and skills development keep economies trapped in a vicious circle of low education, low productivity and low income. Skills development is central to improving labour productivity. In turn, labour productivity is an important source of improved living standards and growth[9]. Effective skills development systems, which connect education to technical training, technical training to labour market entry and labour market entry to workplace and lifelong learning, can help countries sustain productivity growth and translate that growth into more and better jobs.

Te Velde (2005) discusses the links between globalisation and education. South Africa developed its automobile industry from a protected industry in the mid-1990s to a world class exporter of automobiles by the mid-2000s thanks to links between the skill providers and the automobile sector. The attraction of skills to Mauritius helped it develop the off-shored ICT sector. The availability of skills also helped Kenya develop its back office and call centre sector.

[9] Skills development is understood in broad terms to mean, as spelt out in the conclusions concerning human resource training and development (ILO, 2008, para 5), basic education, initial training and lifelong learning.

Skills development or technical and vocational education and training (TVET) have become more important for a number of reasons (King and Palmer, 2008): 1) the success of UPE and the consequent pressures for the expansion of post-basic education; 2) an increasing emphasis on skills for global competitiveness and for poverty reduction; 3) a growing emphasis on holistic, sector-wide approaches to education and training and not just UPE; and 4) in many developing countries, a strong political assumption that skills development can tackle unemployment.

Skills development systems that are linked closely to labour market requirements play an important role in the work–growth–poverty reduction relationship. The ability of individuals to access full and productive employment and decent work is a critical factor in their ability to benefit from economic growth. If access to full and productive employment and decent work can be improved, at least in part, by quality technical and vocational skills development (TVSD), it follows that an individuals ability to access skills development is critical (King and Palmer, 2008).

Cross-country evidence suggests that more technical and vocational education and improvements in learning outcomes can lead to gains in GDP and social outcomes (OECD, 2010). UNESCOUNEVOC (2006) shows that the greater a country's GDP per capita, the greater the secondary PTVE (Percentage of Technical/Vocational Enrolment in secondary). For instance, the three counties with the highest PTVEs – Australia, Belgium and The UK – also have very high GDP per capita; meanwhile, Malawi, Niger and Nigeria have low values for both GDP per capita and PTVEs. There is a similar association when analysis is restricted to upper secondary education only. A country's secondary Gross Enrolment Ratio (GER), the greater the PTVE at the secondary level. Eritrea, Gambia and Niger all have very low GERs and PTVEs in secondary education, and a similar pattern occurs in upper secondary education.

In most of the 48 SSA countries, in spite of a large growing labour force and an abundance of slack labour looking for jobs, foreign investors have difficulties finding workers who possess the right skills for the jobs they can offer. The lack of appropriate training programmes exacerbates these problems. To address these, a recent Investment Policy Review of Sierra Leone suggests the following (UNCTAD, 2010d):

- Establish a human capital development strategy, which should focus on formal education, vocational training, mobilization of the diaspora and measures to attract foreign skilled workers (e.g. from the diaspora).
- Facilitate the entry of skilled workers by simplifying procedures to issue work and residence permits, and accompany this measure with an incentive package to attract workers. These measures should extend to the important community in the diaspora to incite them to return and contribute to the development of the country.
- Provide incentives to business to engage in vocational training. Formal education is a necessary but not sufficient condition to ensure that workers have the required skills.
- Revise, over the medium term, labour laws that foster a flexible and competitive labour market that reflects best practices in comparator or neighboring countries.

When skills development leads to growth and innovation it will generate incomes to pay for basic education. UNESCO (2006) argues that skills development, together with other social protection measures, can certainly constitute a powerful tool for poverty reduction. Of course this should not be seen as a way to reduce support for primary education - education for all is an important initiative and skills development can only be successful when there are good basic education levels. Higher and vocational education, adult learning, and teacher training needs to be supported within a balanced overall education system which include primary education.

Trade

Openness and growth go hand in hand, although there is some debate on the direction of the causation. The challenge for many African countries is not just the volume of trade, though, but also the type of trade.

African countries face two major constraints to trade: lack of high quality products and trade (especially non-tariff) barriers which, directly or indirectly, hamper trade. To improve its capacity to trade, Africa needs to make internal changes: improving its transport infrastructure to reduce transportation costs, simplifying tariff systems and reducing non-tariff barriers among African countries. This includes reforming excessive bureaucracy and cumbersome customs procedures and working to eradicate corruption by public servants, wherever these exist, to increase the ease of doing business. This could also improve regional economic integration within Africa.

There are three ways that African countries might be better able to capture trade benefits. First, Africa as a whole would benefit from an ambitious Doha Round, although the benefits are minor. The benefits are perhaps lower than expected because Africa already faces special preference schemes with the European Union (EU) and the US, etc., and now also with some EMEs. The key for Africa now is not to gain new preferences but also to keep existing preferences and to be compensated for preference erosion through Aid for Trade. There is one way changed trade rules could help African exports: the rules of origin facing African exports could be improved on the European side. So far, rules of origin have not been conducive to processing activities in Africa because they require a relatively large proportion of the value addition to take place in Africa itself, which is a challenge and not conducive to South–South activities.

Second, African countries have put up high tariff and non-tariff barriers against each other (Keane et al, 2010). This suggests that the lack of (deep) regional integration deters trade. The small populations of most African countries and the large number of landlocked countries reinforce the need for deepening regional integration and investments in cross-country transport, energy and communications infrastructure. Not only does SSA have extremely low per capita density of rail and road infrastructure, but also existing transport systems were largely designed under colonial rule to transport natural resources from the interior to the nearest port. As a result, cross-country transport connections within Africa tend to be extremely poor and are in urgent need of extension, to reduce intraregional transport costs and promote cross-border trade (Sachs et al., 2004; UNCTAD, 2009).

Meyn and Te Velde (2008) survey the evidence on regional integration covering narrow and deep trade liberalisation as well as other forms of cooperation. The lack of regional cooperation leads to increased growth constraints, and this non-integration has a cost in terms of foregone growth. For example, key growth constraints in Uganda have a regional dimension; if they were overcome, growth would likely increase by 2-4 percentage point (World Bank, 2007). There is at present a severe shortage of electricity-generating capacity in the country. This could be overcome through the use of effective regional electricity grids. There are also regional rail constraints. Uganda‟s imports and exports make heavy use of the port in neighbouring Mombasa. Uganda–Kenya railways operate under a private franchisee, which requires more effective regional approaches towards safeguarding a stable investment environment in order to stimulate more investment. The rail link was broken at the time of conflict in Kenya, with big effects for Uganda. Finally, road connections are poor, including in the regional context. Better roads and other transportation would enhance exports to the region. Keane et al (2010) study impediments to intra-regional trade suggesting that non-tariff barriers can be significant barriers to intra-regional trade.

Third, economic policies in African countries may help promote trade. Lack of an active approach to trade and finance diversification hampers trade opportunities. This is harmful, not only because of general development concerns but also it makes it more difficult to make growth more crisisresilient and to reduce exposure to shocks. For example, Te Velde et al. (2010) suggest that regional exports in Uganda helped generate resilience to the crisis (which resulted in a drop in exports to developed countries), which was boosted by a regional integration policy as well as road building. In the case of Mauritius, ICT exports helped counteract a fall in other exports, and active government engagement helped it diversify into services exports. In general, though, few African countries have been successful in their diversification efforts.

There is a well-established literature on trade and poverty which emphasizes that trade alone is often not enough to benefit the poorest, but also that using trade policy directly to target poverty might not be efficient. Some highlight that the link between increasing trade and economic growth and that there is a one-to-one relationship between growth and poverty alleviation, conclude that trade is good for growth and growth is good for the poor (Dollar and Kraay, 2001a and 2001b). Others suggest that globalisation is quite uneven in its impact and gives rise to negative counter effects on the previously protected sectors, the marginalization of entire regions of the world economy and possible increases in within-country income inequality (Rodrik, 2000; Lee and Vivarelli, 2004). Te Velde (2006) suggests that complementary policies are needed to benefit for the poorest to benefit from trade such as education, infrastructure and social policies.

Financial Inclusion

Empirical evidence suggests that improved access to finance is good for development. Crosscountry regressions have shown that economies with better developed financial systems experience faster drops in income inequality and faster reductions in poverty levels (Gross, 2002). In fact, the importance of increasing the supply of savings in the financial system by making financial services available to the population has long been recognised by developed economies. The evolution of the banking system in many European countries has seen the rapid spread of banks, including savings banks and rural banks targeted at the poor (Davies, 1996).

The financial system cannot develop to its potential and monetary policy cannot be effective if the majority of the population continues to be excluded from access to financial services. The Bank of Ghana has placed high priority on „banking the unbanked‟ through the facilitation of a common platform and technology (the ezwich biometric smartcard) for banks and other non-bank institutions, to allow access to financial services by the unbanked in the context of overall payment system reform. Other technologies (like mobile phones) are also available to deliver mobile banking services and should be encouraged in the context of the central bank‟s regulatory framework for branchless banking (Bawumia, 2010).

A unique ID number, an address system and financial inclusion (banking the unbanked) are some of the key unwritten rules for effective monetary policy and financial sector development in particular and overall development in general. Bawumia (2010) argues that, without these, no monetary policy framework will be sufficient in the long run to engender a financial sector that can be critical in the growth process. Ellis et al (2010) provide new evidence from micro level data in Kenya and Tanzania that access to financial services enables households to invest in activities that are likely to contribute to higher future income and, therefore, to growth. Access to finance are often mentioned as major constraints to firm performance. But contrary to popular ideas, this is most important for SMEs and large firms rather than micro level firms who contribute less to growth and poverty reduction (Kingombe, 2010a).

Growth with resilience

It is important to focus not only on promoting growth but also on actions to sustain growth in Low Income Countries (LICs). Evidence shows the problem is not just a failure to record periods of positive economic growth (Winters et al., 2010). Rather, poor countries appear to remain poor because they are plagued by volatile growth, with frequent periods of deeply negative growth that more than cancel out prior periods of positive growth. LICs are often poorly equipped to deal with, and recover from, adverse shocks, which could range from global economic shocks, to severe commodity price volatility, to famine and other devastating natural disasters (Aiello, 2009).

Te Velde et al. (2010) provide a number of examples of why some African countries were less vulnerable than others:

- Financial transmission mechanisms to LICs initially appeared limited, and attention quickly focused on real (trade and remittance) transmission mechanisms. However, it is now clear that bank lending, stock market contagion and worsening banking systems did propagate the crisis. One lesson is that some LICs are more integrated financially than is often thought, and the more integrated the more exposed to financial crisis.
- Another myth expelled by the crisis is that FDI is always resilient in crises (or more resilient than other flows). In fact, FDI fell significantly in countries such as the Democratic Republic of Congo (DRC). In others, such as Uganda and Kenya, portfolio flows changed quickly.
- While certain types of openness have left countries more exposed to crisis (especially those exporting products whose prices dropped), this may not always have meant increased vulnerability, as some countries have also become more resilient (e.g. Tanzania, through good macroeconomic management). It is important that countries promote crisis resilient growth, as in this way they are better prepared for recovery.
- In particular, diversification (products and destinations) is important for growth and resilience to crises. This should be promoted and could draw more attention than has previously been the case – of course in a market-friendly way, so that policy is not delinked completely from policies. It may also be important to diversify sources of capital flows, such as FDI inflows. For example, Chinese FDI is now making up for some of the losses in mining in Zambia.
- Good macroeconomic management allowed for more scope for policy responses later. This requires good institutions in managing finances.
- Indeed, the crisis highlights that flexible institutions are important in dealing with crises. There are examples of task forces that led to policy responses to the crisis in Tanzania and Mauritius, and these were set in a more institutionalized way.
- This global financial crisis has increased the importance of links between EMEs and African countries, which need to be used to improve growth and resilience.

The fall in commodity prices and export volumes led to a worsening of trade and current account balances in 2009. Despite the deterioration, foreign reserves continued to grow in many countries, although at declining rates. However, several countries, such as Angola, Nigeria, Sudan, Equatorial Guinea and Chad, lost significant amounts of foreign reserves. Because in many African countries both current account balances and fiscal balances deteriorated at the same time, twin deficits emerged (AfDB and OECD, 2010). So, even though the majority of countries did withstand the worst of the shock, a number of countries needed assistance.

The IMF‟s Regional Economic Outlook on Sub-Saharan Africa (IMF, 2010) argues that the regions resilience through the global financial crisis owes much to sound economic policy implementation. Before the 2007-2009 global shocks, most of the regions economies were in good shape: steady growth, low inflation, sustainable fiscal balances, rising foreign exchange reserves and declining government debt. When the shocks hit, countries were able to use fiscal and monetary policies nimbly to dampen the adverse effects of the sudden shifts in world trade, prices and financial flows.

Two factors that helped to underpin SSA‟s resilience during the global recession are likely to be of continuing importance in sustaining the regions recovery. First, the improved economic fundamentals and policy space that provided room for the effective use of countercyclical macroeconomic policy in the global downturn will continue to provide some protection from future fluctuations. Second, insofar as trade remains a crucial factor for sustained growth in many countries, the pronounced shift in the regions trading pattern toward faster-growing parts of the global economy should help to maintain export growth, as it did increasingly during the mid-2000s.

By limiting the direct impact on the regions economies of the global recession, these factors also make it less likely that potential growth will be permanently affected (IMF, 2010). Better resilience will protect growth and the poor. However, equity and reduction in poverty can also help resilience. Too much inequality undermines macroeconomic resilience because it depresses aggregate demand, stimulates conspicuous consumption, leads to excessive risk taking in financial markets, entrenches special interests that delay policy reforms, impedes countercyclical measures and affects the operating of institutions (see, e.g., Vandemoortele, 2010).

Food security

Africa has been the world‟s great laggard in terms of technological advance, notably in the areas of agriculture and health. For instance, most of the developing world experienced the Green Revolution – a surge in crop yields in the 1970s through the 1990s as a result of scientific breeding that produced high-yield varieties (HYVs), combined with increased use of fertilisers and irrigation. Africa‟s uptake of HYVs was the lowest in the developing world. The reasons are very clear. Green Revolution HYVs were designed for the conditions of Latin America and Asia and did not easily transfer to the agronomic and economic conditions of Africa‟s rain-fed, fertiliser-scarce, sub-humid and arid tropics. Whereas HYV research focused mainly on wheat, maize and paddy rice, Africa produces maize but little wheat and paddy rice. It depends much more on sorghum, millet and tubers (cassava, coco yams and sweet potatoes) (Sachs et al., 2004).

The Commission for Africa (2005) suggested that donors make a major investment to improve Africa‟s capacity, starting with its system of higher education, particularly in science and technology. Conway et al. (2010) discuss the crucial role that science can play in reducing poverty. Looking at the importance of national scientific capacity, the authors make the following key suggestions to policymakers and development practitioners: train and empower scientists; strengthen science innovation systems in developing countries; ensure that new technologies are accessible to science for development; design and deliver research for impact; and raise the profile of science in governments.

Meanwhile, high transport costs and a combination of unfavourable geo-hydrology and topography still hinder increases in the use of fertilisers and irrigation. The absence of a Green Revolution in Africa has clear implications for food productivity. SSA has the lowest cereal yield per hectare of any major region and has experienced the slowest gain in yields during the past two decades. SSA‟s „technological backwardness‟ compared with other developing regions led Conway et al. (2010) to argue that science for sustainable agriculture needs to focus on five broad needs: new crop varieties (and livestock breeds) that are more productive and

The Strategic Journal of Business & Change Management. ISSN 2312-9492 (Online) 2414-8970 (Print). www.strategicjournals.com

of better nutritional quality; improved soil fertility and crops and livestock better able to use existing nutrients; maximising water use; better pest, disease and weed control without environmental damage; and cropping and livestock systems that combine these qualities in ways that bring benefits to both small- and largescale farmers. They emphasise that solutions should be drawn from the full range of sources for innovation, including conventional, traditional, intermediate and new platform technologies.

In addition, African countries now have to deal with the dual challenge of adapting to climate change with limited resources while taking a low-carbon development path without compromising economic growth and development. Despite their minor historical role as emitters of greenhouse gases (GHG) responsible for anthropogenic global warming (World Bank, 2009), developing countries together are projected to bear 75-80% of the cost of climate change-related damage. A 2 0 temperature rise above pre-industrial levels could result in a permanent reduction in GDP of 4- 5% for Africa and South Asia (Stern et al., 2006).

Food security is helped by more investment in agriculture which also has the potential to reduce poverty. Investment in agriculture will increase its productivity and contribution to growth. According to DFID (2004), there are four „transmission mechanisms‟ which critically link changes in agricultural performance, productivity increases and progress in reducing poverty:

- Direct and relatively immediate impact of improved agricultural performance on rural incomes;
- Impact of cheaper food for both urban and rural poor;
- Agriculture's contribution to growth and the generation of economic opportunity in the nonfarm sector; and
- Agriculture's role in stimulating and sustaining economic transition, as countries (and poor people's livelihoods) shift away from being primarily agricultural towards a broader base of manufacturing and services.

Over the longer-run agriculture could be seen as a sign of poverty (poverty is often associated with agriculture or agricultural societies, whilst rich countries tended to have a more diversified economic base) and investment in agriculture needs to be accompanied by investment in the other sectors. The growth pillars such as infrastructure and skills need to be targeted in those sectors which have the highest growth and poverty reduction potentials in a dynamic sense, not in a static sense.

Governance

The agenda for growth tends to emphasise the accumulation of physical and human capital in a climate of macroeconomic stability, with less emphasis on the institutional context in which this takes place. Yet, the institutions and policies that determine the economic and political environment within which individuals accumulate skills and firms accumulate capital and produce output is crucial for growth (Te Velde, 2010a).

The standard diagnosis behind missed growth opportunities is still that Africa is suffering from a governance crisis: since the early 2000s, incidents in the region suggest it has not improved much. Large countries such as Kenya and Nigeria have suffered democratic setbacks in recent years. Mozambique, South Africa and Uganda, three darlings of the African renaissance, have also slipped backwards. Coups were held in Togo in 2005, Mauritania and Guinea in 2008, Madagascar in 2009 and Niger in 2010, after a period in the 1990s when the number of coups declined. Another de facto coup took place in Guinea-Bissau in 2010 (Gilley, 2010). With these highly visible examples of poor governance, there is an impression of a continent-wide governance crisis.

Yet such a standard diagnosis is misconceived. Many parts of Africa are well-governed, despite being stuck in poverty. Governance is a problem,

The Strategic Journal of Business & Change Management. ISSN 2312-9492 (Online) 2414-8970 (Print). www.strategicjournals.com

but Africa‟s development challenges run much deeper. Africa has also undergone some positive evolution in terms of freedom of press and media, such as in Zimbabwe, Libya and Sierra Leone. In fact, for the first time in years, the 2009 Freedom House Press Freedom Index (PFI) shows more improvements than setbacks in SSA.

New empirical evidence shows that governance matters for African growth. Some argue that current growth prospects have been inflated by rising commodity prices and growing trade and investment links between Africa and EMEs, but African growth prospects had already turned around in the mid-1990s, long before the more recent upturn in commodity prices and growth spurt in EMEs, which suggests it has been doing other things right all along. Sen and Te Velde (2009) show that structural factors have also helped African countries grow, highlighting the nature and scope of state-business relations as a key institutional feature behind growth in a panel of African countries over 25 years. African countries have implemented a series of reforms and better macro policies, and have, with some notable exceptions, improved institutions and governance over recent decades. Further, despite popular assumptions, services and their reform have driven economic growth more than sectors such as agriculture.

In addition, over the past three years, monitoring studies of the global financial crisis (Te Velde et al., 2010) have shown that Africa has kept reforming and improving its investment climate, and has not become protectionist. Pro-investment reforms, as measured by Doing Business indicators, have kept pace with Organisation for Economic Co-operation and Development (OECD) countries, which were backsliding on reforms. Why is this? It is linked partly to the way state-business relations in Africa have improved, which has led, in turn, to better economic policies. From Mauritius to Tanzania, countries have put in place coordinating mechanisms, helping them find appropriate and well-considered policy responses to the financial crisis, rather than having to fall back on ad hoc policy decisions.

Beyond effective state-business relations, efforts to improve domestic tax revenues are important for improving governance and accountability. In 2002, the UN‟s Monterrey Consensus on Financing for Development acknowledged that external financial resources would not be enough to meet the Millennium Development Goals (MDGs), and that it was necessary to develop new strategies by mobilising domestic resources. In fact, development success stories often go hand in hand with better mobilisation of a country‟s own resources and less dependence on aid and other foreign finance (AfDB and OECD, 2010; UNCTAD, 2007). Moyo (2009) illuminates the way in which overreliance on aid has sometimes trapped developing nations in a vicious circle of aid dependency, corruption, market distortion and further poverty, leaving them with nothing but the „need‟ for more aid. Yet, aid can also be effective, e.g. Aid for Trade can reduce transportation costs and increase exports (Calì and Te Velde, forthcoming).

The average African tax revenue as a share of GDP has been increasing since the early 1990s, mostly because of taxes on the extraction of natural resources. On the other hand, income taxes (mainly personal and non-resource corporate) have stagnated over this period. At the same time, trade liberalisation in Africa has led to a reduction in revenues from trade taxes. Indirect taxes, corporate taxes and resource-related tax revenues have increased since the late 1990s (AfDB and OECD, 2010; UNCTAD, 2007). The African Economic Outlook 2010 report suggests that African countries face three types of challenges to creating more effective, more efficient and fairer taxation systems: structural bottlenecks (e.g. high levels of informality); eroded existing tax bases; and an unbalanced tax mix, with many countries relying excessively on a narrow set of taxes. Policy options include removing tax preferences, dealing with abuses of transfer pricing techniques by multinational enterprises and taxing extractive industries more fairly and more transparently (AfDB and OECD, 2010).

Moore and Schneider (2004) suggest that tax reform can contribute to improved governance and poverty reduction both directly and indirectly: by redistributing income, and by helping establish stronger fiscal social contracts in poorer countries. Toye (2000) argues that more efficient and equitable taxation regimes would both change the distribution of income in favour of poorer people and, where needed, permit governments to raise more financial resources to address poverty (Toye 2000). The fiscal social contract tends to be weak in many poorer countries. There is little engagement of citizens in decisions about how public revenues are raised and spent.

The G20 and African growth

The G20, development and Africa

The G20 is a financial and technical grouping which emerged from the fallout of the East Asian financial crisis. The 2008 global financial crisis then led to unprecedented coordinated action by the G20, which has helped development. The 2009 London Summit announced fiscal stimulus packages which have indirectly helped developing countries; injected more liquidity into the financial system (with explicit guarantees for LICs); and agreed, with some success, not to increase protectionism. The Korean G20 presidency has put forward a number of agenda items for the G20 Summit in Seoul on 11-12 November 2010:

- Ensuring global economic recovery;
- A framework for strong, sustainable and balanced growth;
- Strengthening the international financial regulatory framework;
- Global financial safety nets;
- Business; and
- Development.

African focus. However, many topics, in addition to development, are relevant for Africa. Kumar (2010) notes that, despite their preoccupation with the global financial crisis, G20 leaders also referred to development issues in earlier summits. The rationale for including them is to try and achieve a more balanced outcome from globalisation and to increase legitimacy. This will make the G20 more relevant and acceptable to non-G20 developing countries. The Seoul consensus on shared growth (following the summit of 11-12 November) sets out a number of principles through which the G20 engages on development and includes an annex with a number of actions falling under nine pillars of growth (infrastructure, human resource development, trade, private investment and job creation, food security, growth with resilience, financial inclusion, domestic resource mobilization and knowledge sharing).

The G20's development agenda and African growth

The development agenda aims to help accelerate growth in developing economies. The G20 Developing Working Group has followed the development issues paper, which introduced nine pillars or aspects of growth. Table 1 summarises these and the types of policies considered, and also some specific suggestions by the G20 which may benefit Africa.

Table 2: The G20's development agenda and support for African countries

	Examples of policy issues	African interests in G20 actions
Infrastructure (Sections 4and5)	Infrastructure financing (e.g. sovereign wealth funds (SWFs); private participation in infrastructure/public–privatepartnerships PPI/PPPs)	▪ Leverage G20 FDI and SWFs (especially G20 EMEs multinationals) for sustainable infrastructure ▪ Ensure development finance institutions (DFIs) have right instruments to support infrastructure (blending, International Bank for Reconstruction and Development (IBRD) increases) ▪ Initiate a high-level panel for sustainable infrastructure in Africa to identify financing constraints and monitor implementation of G20 commitments.
Private investment and job creation (Section 6)	Promoting FDI through streamlining Doing Businessindicators	▪ Leverage G20 FDI (international investors from G20) and link to Invest Africa Initiative ▪ Streamline administrative procedure and promote appropriate complementary policies
Human resource development (Section 6)	Promote employment-relevantskills (matching efforts on demand and supply sides of the labour market) and (youth) transformative entrepreneurship training (to small and medium enterprises(SMEs)) and innovative business ideas	▪ Develop skills through enterprise-level training and interaction between foreign firms (transnational corporation (TNC) affiliates) and public/private training institutions ▪ A more balanced approach towards skills development with more attention to TVET, secondary and tertiary skills
Trade (Section 4)	Aid for Trade (e.g. lending to regional blocs) and duty-free quota-free (DFQF)	▪ Promote regional integration and take stock of G20programmes for Africa
Financialinclusion	Financial Inclusion ExpertsGroup (FIEG); remittances	▪ Ensure the poorest countries and most credit constrained firms in Africa have access to finance
Growth with resilience	Risk-mitigating instrumentsand shock absorbers	▪ Raise capabilities to deal with shocks and improveshock absorber facilities
Food security	Agricultural productivity	▪ Promote agricultural productivity e.g. through increased support to the consortium of Consultative Group on International Agricultural ▪ Research (CGIAR) centres
Governance	Regulatory reform, anti-corruption and a deepening ofthe existing tax base	▪ C10 coverage of domestic resource mobilisation ▪ G20 has a key role to play in enhancing taxcollection administrative capacity
Knowledge sharing	Platform for knowledgesharing	▪ Regional-level knowledge-sharing platform

Note: C10 = Committee of African Finance Ministers and Central Bank Governors.

G20 member states have designed a number of proposals in each of these areas, up to nearly 100. Successive meetings of the G20 Development Working Group have narrowed these down to a smaller number and these have now appeared in the Seoul consensus. Some outsiders have criticised this development agenda approach, which proposes that the G20 oversee practically the entire range of development activities. It is therefore important to examine where the G20 could add value. Criteria could include the following:

- The G20 is not the G8, which focused its Africa policy especially on aid announcements on health and education; the G20 is focused especially on „beyond aid" issues (trade, investment, etc.).
- The G20 includes EMEs, which are important partners for poorer countries, so it is crucial to bring the opportunities offered by the EMEs.
- The G20 is essentially a network, building bridges and influencing others (e.g. other countries or multilateral institutions)

Below, we describe G20 policies that may benefit Africa, following the Korean scoping paper. We conclude with three key suggestions on how the G20 can help African development as part of the development agenda and we suggest these would be implemented, monitored and evaluated by the time of the next G20 summit in Cannes in November 2011 consistent with Seoul consensus on share growth:

- G20 to support an Investment in Africa initiative (which links G20 outward FDI, SEZs and complemented by skill formation) and initiate a high-level panel for African infrastructure with African participants to review financing constraints;
- G20 to kickstart knowledge exchange platforms (e.g. which involves the transfer of senior policy staff across countries and involves lessons from emerging markets on economic policy). This could build on emerging Africa think tanks and research institutes and link them with think tanks around the world. It could also promote south-south co-operation by facilitating the transfer of policy staff.
- G20 to promote a review of intra-regional trade barriers in Africa. The G20 could liaise with the regional economic communities in Africa and assist them in identifying and removing intraregional trade barriers such as non-tariff barriers.

Infrastructure

Africa is growing rapidly and has opportunities in infrastructure. In Pittsburgh, G20 leaders charged the World Bank, in cooperation with regional multilateral development banks (MDBs) and other international organizations, to strengthen support for infrastructure in LICs. The G20 could consider the following discussions:

- G20 investors (foreign direct investors, SWFs) from both developed and EMEs could together focus on Africa to link to opportunities identified in the New Partnership for Africa"s Development (NEPAD) and mentioned by the recent C10 communiqué.
- The G20 could improve effective utilization of private capital, including by better leveraging public finance and ODA and improving the cost effectiveness of PPPs.
- The G20 could assist LICs to improve infrastructure-related governance issues, including:
  - Tax reforms to better mobilize domestic finance resources;
  - Implementation of regulatory and property rights reforms; and
  - Addressing regionally integrated infrastructure needs.

While it is important that the G20 focuses on promoting private investment, it can also use a

The Strategic Journal of Business & Change Management. ISSN 2312-9492 (Online) 2414-8970 (Print). www.strategicjournals.com

number of official instruments to leverage FDI. For example, it could use blending (grants and loans) as done through the EU–Africa Infrastructure Trust Fund. This would be quite a radical shake-up of current grant facilities, which are not used to blending grants to loans such as those by DFIs. One further advantage of such a new approach is that access to grants can be made available to finance packages with the most desirable development outcomes (of course based on discussions with recipient countries). For example, grants could be made available to build green infrastructure (or produce green power, equivalent to an advance market commitment), which could be executed by project promoters that abide by certain rules and regulations. In effect, grants would be used to subsidise desirable outcomes while leveraging private sector investment to poor countries, a core preoccupation of the G20 development agenda.

Not all challenges are related to financing new infrastructure. There should also be institutional development to ensure that infrastructure is maintained and well-planned. Further, it is important that transport services are efficient, which involves effective completion policies to ensure that transport cartels do not abuse their market power.

All in all, it seems important to initiate a G20–Africa high-level panel on infrastructure that can identify the gaps in financing of sustainable infrastructure and ensure that constraints to follow-up are removed (whether it is linking investors with African countries or removing constraints to blending or constraints in DFIs to regional financing) and which could monitor implementation of G20 commitments.

Private investment

Local investment is crucial, and the G20 can support this by promoting good quality FDI that abides by globally set rules. Developed country multinationals and increasingly companies from EMEs sign up to a range of codes and conducts (e.g. the UN Global Compact). The spread of MNCs and state companies from EMEs towards African countries is increasingly important, and the G20 is the right forum to cover this. A business forum attached to the G20 (the B20) consists of the 120 largest businesses; this has met just before the Seoul Summit in November. One item on the agenda is the promotion of outward FDI (the areas covered included revitalising world trade, encouraging FDI, funding SMEs, supporting economic growth, reducing monetary and fiscal stimuli, infrastructure and natural resource funding, energy efficiency, renewable energy, green jobs, technology, youth unemployment, and access to health care). It could be useful to link this group in future with African ideas such as the Invest in Africa event (see outcome of the C-10 meeting, as explained later in this paper).

The investment climate cannot be changed overnight, even if there is enough domestic capacity. In this case, it could be useful to start with SEZs, which, with the right complementary policies, could provide a conducive environment for companies to invest in and benefit the host companies. African countries could learn from examples in EMEs.

Human capital formation

A healthy and skilled workforce is a more productive one. It would therefore be useful to review support to the education sector in the context of skills for development (see AfDB and OECD, 2008, which is one attempt at this). The G20 could help African countries formulate skills development strategies. It would be opportune to use the G20 summits to capitalize on the role of EMEs in terms of both financing and lessons.

EMEs have valuable lessons on how to grow, diversify and innovate. Korea, for example, has benefited from TVET and, for this reason, is promoting TVET in its Africa programme. Knowledge about growth policy is not generated in one single country or institution. By nature, this needs a decentralized network approach, and the G20 can endorse knowledge exchange on skills development.

Trade

Africa already has reasonable market access to the EU, through preferences as part of Everything But Arms (EBA) and interim economic partnership agreements (IEPAs). Africa stands to lose such preferences with more trade liberalisation. While multilateral trade liberalisation may still bring some benefits to Africa, with the Doha Round stalled it might be more effective to focus on regional integration and how Aid for Trade can enhance African capacity building, including infrastructure and economic reforms on the supply side. There is a particular demand at the regional level. The G20 can provide regional aid for trade and in particular, as shareholders, could ensure that DFIs are equipped with volumes and instruments (e.g. blending, regional lending) to fund African infrastructure while leveraging in private investment. There has been a particular lack in provision of regional Aid for Trade. Regional projects often face higher transaction costs and donor funds are often not suited for regional projects, while mandates and thinking tend to be on national lines (IMF and World Bank, 2006). Developing countries may not agree on an appropriate costs benefit scheme, e.g. in the presence of the free-rider effect for non-participants. It is argued that „The national focus of development assistance makes it more difficult to realize the potential benefits of cross-country cooperation in trade-related areas.

‟ The World Bank/IMF highlighted the difficulties of securing regional loans for trade related issues: „Lending for regional trade-related projects is limited owing to the difficulties in securing agreement between countries and the appropriate guarantees for multi-country loans … More fundamentally, a key issue is that regional projects are less likely to find their way into national development plans as a result of coordination problems.‟ Several regional development banks have some funding available for regional issues, but multi-country programmes constitute only 2-6% of their portfolio. Only $1 billion out of $34.4 billion of IDA-14 was earmarked for regional projects. The G20 can link the provision of regional aid for trade with the proposed high-level panel on sustainable infrastructure for Africa.

The G20 and African regional economic integration: Supporting hard and soft infrastructure development

African regional economic integration agenda

Regional economic integration has long been a stated objective of African countries and dates back to the 1960s. The Strategic Plan of the AU Commission is clear: „integration is no doubt a vital tool for accelerating the economic, social, cultural and political development of African countries‟ (AU Commission, 2004). One of the overriding motivations has been to increase market size in order to grow trade and investment so as to contribute to economic development. This vision has recently seen Africa being described collectively as the next big opportunity. The „African economic lion‟ is now ready to take its place beside the Chinese dragon and the Indian tiger, according to recent statements by the World Bank (including Ezekwesili, 2010); a feature by The Economist Magazine (2010); and a McKinsey Global Institute report, which points out that „Africa‟s collective GDP, at $1.6 trillion in 2008, is now roughly equal to Brazil‟s or Russia‟s, and the continent is among the world‟s most rapidly growing economic regions‟ (Roxburg et al., 2010)).

The building blocks for African integration are set out in the Abuja Treaty of 1991. The basic model is a linear one, which sees the progression from strengthening regional economic communities (RECs), to regional free trade areas (FTAs) and customs unions, then to a continental customs union and an African Common Market and eventually an African Economic and Monetary Union (Article 6). A timetable was set out for this process, but the reality is that progress has been slow and the deadlines have not been met. At every AU Heads of State Summit, a strong recommitment is made to regional economic integration. This is linked to more recent initiatives such as NEPAD, which is intended in part to support the priorities identified by the RECs.

The current focus is on the capacity of the five identified RECs: the Arab Maghreb Union (AMU), the Common Market for East and Southern Africa (COMESA), Community of Sahelo-Saharan States (CEN-SAD), Economic Community of Central African States (ECCAS), the Economic Community of West African States (ECOWAS), the Inter-Governmental Authority for Development (IGAD) and the Southern Africa Development Community (SADC). There are differences between each of these organisations as to their ambitions and level of integration.

The RECs have been conceptualised as building blocks towards Pan-African integration, and the aim is to eventually have a common African market. Some work has recently started to link RECs in an effort to progress the continental integration agenda. For example, SADC, COMESA and the East African Community (EAC) have agreed to establish a FTA that would span the Cape to Cairo. A draft text has been prepared and work is underway in identifying the next steps required to implement this. There is considerable overlap among the members of the various RECs, which is a challenge when implementing regional customs unions but which could be a motivation for moving ahead in the Abuja Treaty agenda to a focus on Pan-African integration in the shorter term.

Africa and its partners

The African agenda for regional economic integration has received explicit support from many of the G20 members. South Africa is currently the only G20 member from Africa and is therefore a party to all decisions of the AU. South Africa belongs to the Southern African Customs Union (SACU), which is not a recognised African REC, as well as SADC. It plays an active role in both groupings and is supportive of the proposed trilateral FTA between SADC, COMESA and EAC. Set out below is a brief summary of the policy statements and initiatives made by some of the other G20 members in support of African regional economic integration:

Tokyo International Conference on African Development

The last meeting of TICAD took place in 2008 in Yokohama. The declaration adopted emphasises the need for Africa to have ownership of the partnership and to determine its own destiny. It includes a section on boosting economic growth and the importance of developing region-wide infrastructure. Japan is committed to doubling its aid to Africa by 2012. At TICAD in 2008, Japan said it would make available $4 billion in „soft loans‟ for the development of infrastructure in Africa, with a focus on the transportation sector. Financing support is also provided for Japanese investors in Africa through the Japan Bank for International Cooperation (JBIC).

India and Africa

The Delhi Declaration from the last India–Africa Summit, held in April 2008, makes it clear that India is seeking to strengthen its partnership with the AU and the RECs (para 19). It is not yet clear how this will manifest itself, as to date Indian support for African economic integration has largely come in the form of technical training and private sector investment.

Brazil and Africa

President Lula da Silva of Brazil has been one of the most avid personal supporters of Africa‟s advancement among the G20 Heads of State. He has undertaken numerous visits to Africa during his term in office, accompanied by private sector representatives pursuing trade and investment opportunities on the continent. Brazil has not shown any inclination to work directly with the RECs but rather has pursued its cooperation agenda through bilateral relations with individual countries.

Korea–Africa Economic Cooperation

The most recent gathering between Africa and a G20 member was the KOFEC Conference held in Seoul in September 2010. Korea announced its support for the prosperity of Africa and an increase in its development cooperation fund for 2010-2014 to $1.09 billion.

The Strategic Journal of Business & Change Management. ISSN 2312-9492 (Online) 2414-8970 (Print). www.strategicjournals.com

Forum for Cooperation between Africa and China

China‟s Africa Policy in FOCAC was clearly set out in January 2006, and this remains the overarching framework for the relationship. It includes a reference to the AU and RECs but is not specific in relation to China‟s support for these African institutions. China‟s engagement has remained predominantly at a bilateral level, with a strong focus on infrastructure development in the identified priority sectors of transportation, communication, water conservancy and electricity. There has been much written on the relationship between China and Africa, and it is not possible to reflect all of the dynamics in this paper. Concerns do exist, however, that China‟s contribution to Africa‟s infrastructure development is focused largely around its own objectives of obtaining access to the natural resources on the continent and providing employment for its workers.

Joint EU–Africa Strategic Partnership

At the level of the African, Caribbean and Pacific (ACP) grouping of countries, the EU has set out a policy framework on Regional Integration for Development in ACP Countries (EC, 2008). It identifies five priority areas for EU support, including connecting regional infrastructure networks and strengthening regional institutions. One of the main tools to support these objectives includes the EPA currently being negotiated with regional groupings in the ACP. With specific reference to Africa, there is the Africa–EU Partnership on Trade, Regional Integration and Infrastructure, which specifically aims at supporting the integration objectives stated in the Abuja Treaty. Funding in support of this EPA has included the establishment of the EU–Africa Infrastructure Trust Fund in 2007 and four regional programmes. A new action plan will be considered for 2011-2013 at the upcoming EU–Africa Summit in Libya in November 2010.

African Growth and Opportunities Act

The Obama Administration first outlined its vision for a new US–African partnership during the President‟s visit to Ghana in July 2009. This included a renewed commitment to addressing the challenges in utilising the market access preferences provided under AGOA, finding effective ways to improve Africa‟s competitiveness (including through simplification and modernisation of border procedures) and support to regional economic integration (Kirk, 2009). The impact of AGOA has been much debated. There has been increased trade between AGOA members and the US (300% growth between 2000 and 2008), with some attributing the creation of over 300,000 jobs to AGOA (Whitaker, 2010). Some argue, however, that AGOA has not met its key objectives of developing greater capacity in Africa to trade in a diversified mix of products – the domination of the statistics of oil and clothing and textiles is often cited here. AGOA is due to expire in 2015 and is also being considered as part of the current review of US trade preferences.

G20 objectives and African integration

While the proposals of the G20 Development Working Group are not focused on Africa alone, they are in alignment with the overall objectives of regional economic integration and the role of infrastructure development on the continent. Through the development agenda of the G20 there is a real opportunity for a coordinated and effective contribution to regional economic integration in Africa. Individual G20 members have all made policy statements in support of this objective and significant resources have already been given to the RECs and to address Africa's infrastructure development needs. These resources were traditionally provided in the form of ODA from Western donors or through DFIs. More recently, there has been a greater contribution of the private sector, including through FDI in support of integration on the continent.

It is worth noting that the C10 is currently the only visible mechanism bringing together African input into the G20 agenda. This met in October 2010 in Washington, DC with a stated objective to „put development and Africa at the center of the G20 agenda in Seoul‟ (AfDB, 2010). One key issue to be discussed is options for increasing domestic revenue mobilization in Africa to provide financing for development objectives. This needs to accompany external investment and aid as it is a viable long-term source of funding that does not place Africa at the mercy of foreign partners. With regard to infrastructure development, the stated focus of the C10 will be on developing sustainable energy solutions.

Infrastructure needs in support of African integration

The relationship between regional economic integration and infrastructure development is a mutually supportive one. Infrastructure is needed to support regional integration and to fully realise its objectives with regard to greater levels of trade and investment. On the other hand, deeper regional integration can make a positive contribution to infrastructure by providing economies of scale. The positive benefits are particularly noticeable for cross-border infrastructure development when regional integration results in the easier movement of goods and services between countries. Infrastructure is typically thought of in „hard‟ terms, such as the building of roads or the installation of cabling for telecommunications. There are, however, „soft‟ infrastructure requirements, such as health and education. Africa has significant needs in both categories.

In its comprehensive report on African infrastructure published in 2009, the World Bank estimated that the poor state of infrastructure in SSA cuts national economic growth by 2% every year and reduces productivity by as much as 40% (Foster and Briceño-Garmendia, 2009). „To close the infrastructure gap with other parts of the world, meet the Millennium Development Goals, and achieve national development targets in Africa within 10 years, an annual spending of $93 billion would be required‟ (ibid). A number of key priorities were identified, with the most pressing and expensive being the need to generate power. From the point of view of regional economic integration, it is interesting to note that greater regional trade of power would have a significant impact on the amount needed for electricity infrastructure. Other needs were identified in telecommunications, transport, irrigation, ports, water and sanitation. The focus was on what could be classified as „hard‟ requirements.

The AU, the AfDB, the RECs and individual African countries have all identified their own infrastructure needs and priorities. One of the biggest challenges remains access to financing for the implementation of infrastructure projects and ensuring the efficient use of resources deployed for infrastructure development. This was reflected in the World Bank report and has been echoed by the G20. While some steps have been taken to increase the funds available, including through increasing the resources of the MDBs, there remains a significant gap to be filled. The World Bank identified inefficiencies valued at around $17 billion a year in the current resourcing of infrastructure projects on the African continent (Foster and Briceño-Garmendia, 2009). In the recovery period following the global economic crisis, efforts have turned to reducing these financing inefficiencies by addressing institutional and political constraints. One such initiative is the African Financing Partnership, which is aimed at doing more with less through harmonisation and additionality. A pilot is currently underway in Zambia, where eight banks have agreed to undertake one due diligence assessment of a transportation infrastructure project. The aim is to bring down the costs involved and reduce the inefficiencies in the financing process. It is also hoped to reduce transaction costs by speeding up the time taken to establish the bankability of infrastructure projects.

G20 contributions to infrastructure

G20 members have already made significant contributions to the development of both hard and soft infrastructure on the African continent. It is not possible to outline all of the activities undertaken in this paper, especially as there are many different actors involved, such as the DFIs, bilateral donors and the private sector.

Using the data available at www.aiddata.org, we have undertaken an analysis of the donor funds directed to infrastructure projects by some of the G20 members in 2008. A number of interesting trends can be noted from this information. First, nearly a third of the approximately $6 billion spent by donors went to transport-related infrastructure. Transport and education spending together account for over half of the total. Energy and water management received a further 30% of the spending. Second, three of the donors listed account for two-thirds of the total amount spent – the EU, the US and France. Third, there seem to be different priorities for the G20 donors, with some focusing on only one or two sectors and dominating the spending there, such as India in the energy sector (although the figures shown include some spending by India in 2009 as well).

Further analysis was done on the basis of the aid flows received by individual African countries. Here, it became clear that LDCs dominated African recipients, with Mozambique and Tanzania receiving approximately $600 million each and Ethiopia just under $450 million. The distribution of spending across infrastructure sectors was quite different in each country, which reflects individual development priorities as well as the bilateral strategies of donors.

Future G20 actions

There are a number of areas of possible convergence between the stated G20 agenda and the needs of Africa with regard to support for regional economic integration and infrastructure development. The following are some concluding thoughts on possible items to be considered in the development of the G20 action plans.

- **Cooperation and coordination:** This is not a new concept but remains fundamental if the resources made available to support African economic regional integration and infrastructure development are to be maximized. G20 members could be encouraged not only to cooperate at the level of governments but also to involve the private sector in a more structured way to ensure that their contributions are taken into account and inefficiencies are reduced. It would be helpful to have such a framework for those countries that are „newcomers‟ to funding African development initiatives and to better leverage their contributions.
- **Trade:** While there is no clear G20 agenda on trade policy matters, it is important to acknowledge that one of the underlying objectives of regional economic integration is to increase the involvement of African countries in global trade. Conclusion of the WTO Doha Round of negotiations could make a contribution in this regard but would not be sufficient. A specific G20 focus on addressing the barriers to intra-African trade could be useful (see e.. Keane et al., 2010), as well as the harmonization of existing preference schemes for African countries. Putting in place the necessary infrastructure is one key step in this regard, but infrastructure is only as useful as those who can take advantage of the opportunities it provides.
- **Support for new technologies**: Infrastructure investments in Africa have tended to focus on traditional requirements, such as roads, ports, railways and electricity generation. To support higher levels of growth and the inclusion of more people in the economy, the G20 could usefully channel more G20 resources (both FDI and aid) towards infrastructure that is needed for the services sector and the uptake of newer technologies, such as mobile telecommunications.
- **Maintenance:** It is appealing for many donors to be involved in high-profile, large infrastructure projects that support regional economic integration. Of equal and possibly even greater importance in the long run is to ensure the ongoing maintenance of existing infrastructure.

The G20 and special economic zones

This section examines the role of Special Economic Zones (SEZs). Asian investors, esp. China, are involved in building SEZs in various African countries (Algeria, Egypt, Ethiopia, Mauritius, Nigeria and Zambia). These may boost industrialization and employment, as they are expected to result in improved infrastructure, technology transfer and employment opportunities, as well as new schools and hospitals (Bräutigam et al., 2010; Sohlman, 2009; UNCTAD, 2010b). Could the promotion of SEZs be a useful beyond aid engagement in Africa? We review the experience of SEZs in emerging markets, review lessons learned, consider Chinese involvement in African SEZs and provide some conclusions.

SEZs are defined as geographical areas, often governed by an oversight management body that offers special trade incentives to firms that choose to physically locate within them. Many countries employ their own variations of these special enclaves, and in doing so use their own terminology to describe them. Mexico, for example, refers to its zones as maquiladoras, Ghana, Cameroon and Jordan have „industrial free zones,‟ the Philippines calls its economic zones „special EPZs‟ and Russia has „free economic zones.‟

Despite some variation, export-oriented manufacturing has been the main focus of most zones, and hence is often seen as a tool to diversify African exports. Production processes often involve low skills and relatively simple technology, particularly in the garment and footwear industries and in the assembly of electronic components and light machinery goods, but for many developing countries it is a first step on the value added ladder. While zone firms can be domestic, foreign or joint ventures, FDI generally plays a prominent role. Manufacturing activities are also now being complemented by services in many SEZs. More than 90 of the 116 countries with SEZs include services. And the range of services located in SEZs is expanding rapidly, from commercial services and simple data entry to call centres, medical diagnoses and architectural, business, engineering and financial services. A regional breakdown shows that most SEZs with service industries are located in developing countries, which means they could play a role in attracting FDI (UNCTAD, 2004).

Learning from special economic zones in emerging markets

China

China has been very active in setting up SEZs in the past 30 years as „experimental enclaves of managed capitalism‟ in the eastern coastal regions. Most of China‟s SEZs are very large and specialise in a narrow range of products and services – those most conducive to a massproduction environment, notably labour-intensive, assembly-oriented products. China‟s Shenzhen Village is known for transforming a small fishing village into a booming urban metropolitan area home to an export-oriented economy that brings in over $30 billion in FDI annually (Murray, 2010).

India

India is one of the most successful developing countries in terms of exports of services. SEZs were introduced through the Export/Import Policy of 2000 to provide an internationally competitive and „hassle free‟ environment for export-oriented firms (Tussie and Aggio, 2005). The first technology parks were established in 1990 in Bangalore, Pune and Bhubaneshwar. Much FDI related to the off-shoring of services has been attracted to these dedicated technology parks, which specialise more in human capital goods and services such as call centres and telecommunication processing rather than manufacturing-based industries. Already by 2003, there were 39 such parks, with about 7,000 units registered, accounting for 80% of the country's software exports (Murray, 2010). In addition to providing modern computers and communication technologies, the technology parks offer such incentives as approvals under a „single-window clearance‟ mechanism; permission for 100% foreign ownership; five-year tax holidays with no value addition norms; duty-free imports; and permission to subcontract software development activity (UNCTAD, 2004).

Mauritius

The trend of off-shoring services has fuelled a growing interest among developing countries in using EPZs to attract services FDI. Mauritius is seeking to position itself as a location for FDI in business services. To this end, it has initiated the Cyber City project to attract call centres, backoffice services and programming, especially to serve francophone Africa, France and parts of Canada. Cyber City has become a state-of-the-art technology park, with office buildings and a world-class telecommunications network. Thus far, the banking, tourism and ICT sectors have been the main beneficiaries of FDI. Mauritius is an example of a country that has been able to use its zone strategy to create significant employment by moving to higher value added production. However, employment gains from EPZs are by no means permanent anywhere, and call for constant adaptation of EPZ strategy (ILO, 2003).

Headed by Taiyuan Iron & Steel Group, the Shanxi Group and the Tianli Group, negotiations for a SEZ in Mauritius‟ capital, Port Louis, began in March 2007. Development on the $550 million project began in late 2009 and is expected to be completed in 2016. Furthermore, the Jin Fei Trade and Economic Cooperation Zone in northern Mauritius is the biggest investment by a foreign entity to date. The project, which will cover 200-500 hectares, is expected to see an inflow of $750 million and create 34,000 jobs (of which 8,000 will go to Chinese contractors) over the next five years, be home to 40 Chinese businesses and generate $220 million worth of export earnings annually, thus creating a ripple effect on the entire economy (Dwinger, 2010).

Chinese SEZs in Africa

Africa is an important focus of Chinese foreign policy. At the third FOCAC meeting held in Beijing in November 2006, China made commitments to double assistance to Africa by 2009 and to establish trade and economic cooperation zones. The fourth FOCAC meeting was held in Sharm el-Sheikh, Egypt, in November 2009, and China announced eight new measures for boosting development cooperation with Africa over the period 2010-2012, which included measures to further open up the Chinese market to African products (UNCTAD, 2010a).

Currently, China is assisting in developing seven SEZs in African countries: two in Nigeria and one each in Egypt, Ethiopia, Mauritius, Zambia and, possibly, Algeria (Brautigam et al., 2010). Cape Verde has signalled its interest in hosting one of a Chinese SEZ, announced during the 2006 SinoAfrican FOCAC Summit in Beijing, where China pledged to invest $5 billion in Africa, aiming to gain investment concessions for Chinese firms in return.

The first Chinese SEZs in Africa has been set up in the Zambian Copperbelt. China promised $800 million of investment in Chambishi, which was expected to generate 50,000 jobs. In return for China‟s building of a $250 million copper smelter, a so-called „anchor investment,‟ Chinese firms will be granted tax and duty concessions (such as a corporate tax of 0% for the first five years of operation) (Dwinger, 2010). This Zambian–Chinese SEZ should attract investment from China's private and public sectors, although the zone has been met with some scepticism in Zambia.

In April 2010, four big Chinese firms signed an agreement with the government of Zambia to set up business investments worth $100 million. In July 2010, it was reported that a Chinese-run mining company, Non Ferrous Metals Mining Corporation, plans to spend $500 million to invest in its Chambishi South mine in Zambia and increase copper ore output to 10,000 per day. A total of $600 million has already been spent on the development of the zone, over 4,000 Zambians have been employed in the zone and another 6,000 are expected to be employed once the zone is fully developed.

CONCLUSIONS

The literature distinguishes a number of factors necessary for successful SEZs: human resources development; infrastructure; and technology. Many EMEs and middle-income countries such as China, India and Mauritius have used SEZs successfully in their development strategies. A number of Southern partners, especially Asian investors such as China, have established new initiatives and platforms for increased engagement with Africa. The first Chinese SEZ is already operating in Zambia and there are plans for more. The G20 could assist the construction of SEZs as useful ways to innovate and diversify African economies, but only when appropriate complementary policies are put in place.

SEZs can work, with valuable lessons from their use in EMEs, which should be shared (something the G20 could promote). It cannot be assumed that SEZs benefit African countries, as this depends on whether complementary policies, such as skills and infrastructure development, are put in place, and the G20 can help here. Hence any attempt to build SEZs needs to involve complementary policies.

This policy briefing traced Rwanda's transformation agenda from the post-genocide era to 2019. It concludes that the CwA has the potential to assist Rwanda to achieve its Vision 2050. So far, the macroeconomic, financial and business frames are showing strong initial developments in Rwanda. However, beyond acting as a role model reformer, Kigali's ability to influence the spread of the CwA initiative in East Africa and across the continent as a whole is limited. The key lessons from Rwanda's case are that a reform culture capital is an asset for economic transformation. Good administration is not enough, hence the need for the finance and business frameworks.

RECOMMENDATIONS

- Rwanda shows that a country can leverage a reform culture capital to drive economic growth. Good EAC macroeconomic inaugurals and good governance is fundamental to factors to Rwandan economic transformation agenda, beyond the availability of natural land mineral resources.
- Good administration alone is not enough to accelerate economic transformation. FDI and a vibrant private sector with a diverse funding base are essential to drive economic growth.
- Compact country teams should have strong representation of G20 countries' private sector. Currently the G20 embassy representatives on team Rwanda are civil servants engaging at the diplomatic level.
- The G20 needs to reform to accommodate Africa. In its current form the CwA still operates according to the terms and conditions of powerful developed countries.
- Macroeconomic governance within Africa continent that stabilizes the African economy safeguarding it from excessive fluctuations to the external factors. It aims for low stable levels of inflation, sustainable budget deficits, minimal public debt, and equitable current account balance.

Policy implications

The G20 has come a long way since its inception as a financial grouping formed in the wake of the Asian financial crisis. Its initial agenda was limited and focused on technical issues. Today, the G20 has a public face and the development dimension of the G20 is slowly being crystallized. The Korean presidency has put growth at the heart of the G20 development agenda. This paper has discussed how the G20 can support African growth. It argues that both G20 core actions and the development agenda can affect African growth positively. We include case studies of African regional economic integration, South Africa outward FDI in Africa and EPZs in Africa to provide examples of how the G20 could help. This paper on G20 and African growth focused on relevant G20 actions in three areas: the G20 development agenda; the G20 core agenda; and G20 process issues. So far, the development agenda had focused on the pillars of economic growth in the Korean scoping paper, narrowing down the multiyear action plans for development in each of these. It has not had a geographical focus, unlike the G8, which did have an Africa focus in its approach towards development. The paper examines where the G20 could add value, which needs to take into account the following observations:

- The G20 is not the G8, which focused its Africa policy especially on aid announcements on health and education. The G20 is focused especially on beyond aid issues (trade, investment, etc.).
- The G20 includes EMEs, which are important partners for poorer countries, so it is crucial to bring the opportunities they offer.
- The G20 operates the G20 framework for strong, sustainable and balanced growth in which growth in African countries can play a role (e.g. it can absorb capital arising through surplus reserves in profitable opportunities in sustainable infrastructure).
- The G20 is essentially a network, building bridges and influencing others (e.g. other countries or multilateral institutions).

Bearing in mind the specificities of the G20, and the analysis in this paper, including in the case studies, we suggest that African development would gain from the following G20 policy actions:

- Argue for permanent seats for Africa at the G20;
- Ask the G20 to organize an annual consultation event in Africa involving more structured consultations between the G20 and Africa;
- Ensure that Africans are consulted in the implementation and monitoring of G20 commitments, for example in the high level panel on sustainable infrastructure for Africa;
- Consider looking at the financing of infrastructure in more detail. The G20 could eliminate inefficiencies in the financing of infrastructure projects to free up significant resources that would reduce the need for additional funding in the short term. Initiatives like the African Financing Partnership could be supported;
- Give greater support to infrastructure to promote new technologies and network services (which, according to our analysis, has not received much ODA in the past few years);
- Ensure the ongoing maintenance of existing infrastructure, rather than just being involved in high-profile, large infrastructure projects that support regional economic integration;
- Reflect on the type of infrastructure needed for the services sector and the uptake of newer technologies, such as mobile telecommunications;
- Enable DFIs to step up activities in African infrastructure, especially regional infrastructure, with an eye to leveraging outward FDI and sovereign wealth;
- Promote sharing of knowledge in Africa on policy tools that have been successful in the G20 EMEs, for example on how to grow and innovate, use of SEZs, etc.;
- Focus on skills and technology development, which can help countries grow, build resilience and obtain the benefits from G20 investment. This requires a balanced approach towards the education sector, including TVET and higher education, where EMEs may gave useful suggestions for LICs;
- Take stock of G20 relations with Africa: most G20 members have a specific Africa-focused strategy and the G20 could provide a platform of learning on policy coherence;
- Consider the development impact of G20 core actions related to financial regulation, rebalancing, climate financing and transparency issues;
- Even though there is no clear G20 agenda on trade policy, acknowledge that one of

the underlying objectives of regional economic integration is to increase the involvement of African countries in global trade. The conclusion of the WTO Doha Round of negotiations could make a contribution in this regard but would not be sufficient. A specific G20 focus on addressing the barriers to intra-African trade could be useful, as well as the harmonization of existing preference schemes for African countries;

- Support measures to increase intra-African trade, not just focusing infrastructure investment around extractive industries that largely support exports to developed countries and Asia;
- Consider including new suggestions on rules of origin in preference schemes to make schemes such as DFQF more useful, and take into account specifics on services trade, such as temporary migration;
- Cooperate at the level of governments but also involve the private sector in a more structured way to ensure that its contributions are taken into account and inefficiencies are reduced. It would be helpful to have such a framework for those countries that are „newcomers" to funding African development initiatives to better leverage their contributions;
- Link the business arm of the G20, the B20, with African business and promote the C10-supported Invest African Initiative. This could involve the EMEs in particular (including South African outward FDI).
- Promote the use of codes and standards among businesses to improve environmental, tax and SEZ-related standards (B20).

REFERENCES

Adentwi, N.K. (2009) „Report on Study Tour of Special Economic Zones in Singapore, Malaysia and China." 1-12 May. Washington, DC: World Bank.

AfDB (2007) „Skills Development: Key to Economic Growth." Tunis: AfDB

AfDB (2010) „C-10 to Discuss Development Agenda for G20 Summit in Seoul." Tunis: AfDB. AfDB and OECD (2001-2010) „African Economic Outlook." www.africaneconomicoutlook.org/en/.AfDB and OECD (2008-2010) „Cape Verde Country Notes."www.africaneconomicoutlook.org/en/countries/west-africa/cape-verde/.

Afrol News (2010) „Cape Verde Joins Struggle for Chinese Economic Zones." 18 July. www.afrol.com/articles/26135.

Aiello, F. (2009) „Experiences with Traditional Compensatory Finance Schemes and Lessons from FLEX." Department of Economics and Statistics Working Paper 12. Calabria: University of Calabria

Ancharaz, V. (2009) „David Versus Goliath: Mauritius Facing Up to China." *European Journal of Development Research* 21(4): 622-643.

Anderson, K., Anderson, W., Martin, W. and van der Mensbrugghe, D. (2006) „Global Impacts of the Doha Scenarios on Poverty." In Hertel, T. and Winters, A. (2006) *Poverty and the WTO*. Basingstoke: Palgrave Macmillan.

Aggarwal, A. (2007) „Impact of Special Economic Zones on Employment, Poverty and Human Development." Working Paper 194. New Delhi: ICRIER.

AU Commission (2004) „Strategic Plan of the African Union Commission: Volume 1: Vision and Mission of the African Union.‟ Addis Ababa: AU Commission.

Barrell, R., Holland, D. and te Velde, D.W. (2009) „A Fiscal Stimulus to Address the Effects of the Global Financial Crisis on Sub-Saharan Africa‟. NIESR/ODI report for One.

Bawumia, M. (2010) „Monetary Policy and Financial Sector Reform in Africa: Ghana‟s Experience.‟BBC (2008a) „Mauritian Cyber Island Dream.‟

http://news.bbc.co.uk/1/hi/programmes/click_online/7169467.stm.

BBC (2008b) „China's Zambia Role Sours.‟ http://news.bbc.co.uk/1/hi/programmes/newsnight/7355369.stm.

Besley, T. and Burgess, R. (2003) „Halving Global Poverty.‟ *Journal of Economic Perspectives.* 17(3): 3-22.

Bourguignon, F. (2003) *The Growth Elasticity of Poverty Reduction: Explaining Heterogeneity Across Countries and Periods. Inequality and Growth: Theory and Policy Implications*. Cambridge, MA: MIT Press.

Bourguignon, F. and Morrisson, C. (2002) „Inequality Among World Citizens: 1820-1992.‟ *American Economic Review* 92(4): 727-744.

Brahmbhatt, M. and Canuto, O. (2010) „Natural Resources and Development Strategy after the Crisis.‟ Economic Premise Number 1. Washington, DC: World Bank.

Brambila-Macias, J. and Massa, I. (2010) „The Global Financial Crisis and Sub-Saharan Africa: The Effects of Slowing Private Capital Inflows on Growth.‟ *African Development Review* 22(3): 366-377.

Brautigam, D., Farole, T., and Tang, X. (2010) „China‟s Investment in African Special Economic Zones: Prospects, Challenges, and Opportunities.‟ Washington, DC: World Bank.

Business Monitor International (2009) „Questions Remain About Benefits of Chinese SEZ.‟ November.

Calderon, C. and Serven, L. (2008) „Infrastructure and Economic Development in Sub-Saharan Africa.‟ Policy Research Working Paper 4712. Washington, DC: World Bank.

Calì, M. and te Velde, D.W. (forthcoming) "Does Aid for Trade Really Improve Trade Performance?" *World Development.*

Channel News Asia (2009) „IE Singapore Promotes Business Opportunities in Africa.‟ 5 May. Chen, S. and Ravallion, M. (2001) „How Did the World‟s Poorest Fare in the 1990s?‟ *Review of Income and Wealth* 47(3): 283-300

Collier, P. (2007) *The Bottom Billion: Why are the Poorest Countries Failing and What Can Be Done About It.* Oxford: Oxford University Press.

Collier, P. and Goderis, B. (2007) „Commodity Prices, Growth, and the Natural Resource Curse:Reconciling a Conundrum.' Working Paper 2007-15. Oxford: CSAE.

Collier, P. and Gunning, J.W. (1999) „Why Has Africa Grown Slowly?‟ *Journal of Economic Perspectives* 13(3): 3-22.

Commission for Africa (2005) „Our Common Interest.‟ London: Commission for Africa.

Commission for Africa (2010) „Still Our Common Interest.‟ London: Commission for Africa.

Conway, G., Waage, J. and Delaney, S. (2010) *Science and Innovation for Development*. London:UKCDS.

Corrochano, G. (2009) „Key Messages from South–South Exchange on SEZs and Competitive Clusters.‟ Washington, DC: World Bank.

Daily Graphic (2009) „12 African Countries Learn from Asian Countries.‟ 5 May.

Davies, M. (1996) „China‟s Development Model Comes to Africa.‟ *Review of African Political Economy* 35(115): 7-22.

De Armas, E.B. and Sadni Jallab, M. (2002) „A Review of the Role and Impact of ExportProcessing Zones in World Trade: The Case of Mexico.‟ Paris: CNRS.

Deaton, A. (2003) „Measuring Poverty in a Growing World.‟ NBER Working Paper 9822Cambridge, MA: NBER.

Deininger, K. and Okidi, J. (2004) „Growth and Poverty Reduction in Uganda, 1999–2000: Panel Data Evidence.‟ *Development Policy Review* 21(4): 481-509.

DFID (2004), Agriculture, growth and poverty reduction, paper produced by the Agriculture and Natural Resources Team of the UK Department for International Development (DFID)

Draper P. (2010) „Rethinking the (European) Foundations of African Economic Integration: A Political Economic Analysis.‟ Discussion Paper 293. Paris: OECD Development Centre.

Draper, P., Kalaba, M. and Alves, P. (2006) „South Africa‟s International Trade Diplomacy: Implications for Regional Integration.‟ In Bosl, A. et al. (eds.) (2006) *Monitoring Regional Integration in Southern Africa Yearbook.* Vol. 6. Stellenbosch: Tralac.

Draper, P., Kiratu, S. and Samuel, C. (2010a) „The Role of South African FDI in Southern Africa.‟ Discussion Paper 8. Bonn: GTZ.

Draper, P., Disenyana, T. and Biacuana, G. (2010b) „Chinese Investment in African Network Industries: Case Studies from the Democratic Republic of Congo and Kenya.‟ In Cheru, F. and Obi, C. (2010) *The Rise of China and India in Africa*. London: Zed Books.

Dwinger, F. (2010) „Special Economic Zones (SEZs) in Africa: China‟s Economic Development Model Comes to Mauritius.‟ Discussion Paper. CAI.

EC (2008) „Regional Integration for Development in ACP Countries.‟ COM (2008) 604 final/2, Brussels 6 October 2008. Brussels: EC.

EC (2010) „EU Development Policy in Support of Inclusive, Smart and Sustainable Growth.‟ Green Paper. Draft. Brussels: EC.

El-Gohari, A. and Sutherland, D. (2010) „China‟s SEZs in Africa: The Egyptian Case.‟ Global Economic Recovery: The Role of China CEA Conference. Oxford, 12-13 July.

Ellis, K. A. Lemma and J.P. Rud (2010), Financial inclusion, household investment and growth in Kenya and Tanzania, ODI project briefing 43.

Esfahani, H. and Ramirez, M.T. (1999) „Institutions, Infrastructure, and Economic Growth.‟ *Journal of Development Economics* 70(2): 443-477.

Estache, A. (2006) „Infrastructure: A Survey of Recent and Upcoming Issues.‟ Draft. Washington, DC: World Bank.

Ezekwesili, O.E (2010) „Exploring the Final Frontier: One Continent and Many Markets.‟ AfricaSingapore Business Forum. Singapore, 14 July.

Foster, V. (2008), Africa Infrastructure Country Diagnostic. Overhauling the Engine of Growth: Infrastructure in Africa.‟ Washington, DC: World Bank.

Foster, V. and Briceño-Garmendia, C. (2009) „Africa‟s Infrastructure: A Time for Transformation.‟ Washington, DC: World Bank.

Fosu, A.-K. (2009) „Inequality and the Impact of Growth on Poverty: Comparative Evidence for Sub Saharan Africa.‟ *Journal of Development Studies* 45(5): 726-745

Gallup, J., Radelet, S. and Warner, A. (1997) „Economic Growth and the Income of the Poor.‟CAER II Discussion Paper. Cambridge, MA: HIID.

Games, D. (2003) „The Experience of South African Firms Doing Business in Africa: A PreliminarySurvey and Analysis.‟ Business in Africa Research Project Report 1. Johannesburg: SIIA.

Gilley, B. (2010) he End of the African Renaissance.‟ *The Washington Quarterly* 33(4): 87-101. Government of Republic of Zambia (2010) „Multi-Facility Economic Zones! What Are They?‟ Lusaka: Ministry of Commerce, Trade and Industry.

Graphic Business (2009) „Africa—Asia Exchange on Economic Zones and Competitive Clusters.‟ 21 May.

Grevi, G. (2010)„ he G20: Panacea or Window-Dressing?‟ Policy Brief. Madrid: FRIDE. Grobbelaar, N. (2004a). “Can South African Business Drive Regional Integration on the Continent?” *South African Journal of International Affairs* 11(2): 91-106.

Grobbelaar, N. (2004b) „Every Continent Needs an America: The Experience of South African Firms Doing Business in Mozambique.‟ Business in Africa Report 2. Johannesburg: SAIIA.

Gross, D.M. (2002) „Financial intermediation: A Contributing factor to Economic Growth andEmployment.‟ Social Finance Working Paper 27. Geneva: ILO.

ILO (2003) „Employment and Social Policy in Respect of Export Processing Zones (EPZs).‟Committee on Employment and Social Policy Governing Body. Geneva: ILO.

ILO (2008), Skills for Improved Productivity, Employment Growth and Development.‟ Report V. International Labour Conference 97th Session. Geneva, 28 May-13 June.

IMF (2010)‟ African Regional Economic Outlook 2010.‟ Washington, DC: IMF.

IMF and World Bank (2006) „Doha Development Agenda and Aid for Trade.‟ Submitted to the Development Committee of the IMF and World Bank.

Jintao, H. (2006), Opening Ceremony Address.‟ Beijing Summit of the Forum on China-Africa Cooperation. 4 November.

Johansson, H. and Nilsson, L. (1997) „Export Processing Zones as Catalysts.‟ *World Development*. 25(12): 2115-2128.

Kalwij, A. and Verschoor, A. (2007) „Not by Growth Alone: The Role of the Distribution of Income inRegional Diversity in Poverty Reduction.‟ *European Economic Review* 51(4): 805-829.

Keane, J., Kennan, J. and M. Cali (2010), *Study on impediments to intra-regional trade in sub- Saharan Africa*, study for the Commonwealth Secretariat.

King, K. and Palmer, R. (2008) „Skills for Work, Growth and Poverty Reduction: Challenges and Opportunities in the Global Analysis and Monitoring of Skills.‟ London: UK National Commission for UNESCO and British Council.

Kingombe. C. (2010) „An Enquiry into the Causes and Nature of the Transmission Mechanisms between Labour-Based Rural Roads, Sustainable Growth, and Agricultural Trade in Zambia‟s Eastern Province.‟ PhD thesis. Imperial College, University of London.

Kirk, R. (2009), owards a New US-African Partnership on Trade and Development.‟ Press Release. Washington, DC: USTR.

Kraay, A. (2006) , When Is Growth Pro-Poor? Evidence from a Panel of Countries.‟ *Journal of Development Economics* 80(1): 198-227.

Kumar, J. (2010), Development Agenda for the G20.‟ Policy Brief. Madrid: FRIDE.

Lederman, D. and Maloney, W.F. (eds.) (2007) *Natural Resources: Neither Curse nor Destiny*. Washington, DC and Stanford, CA: World Bank and Stanford University Press.

Lee, E. and Vivarelli, M. (2004) *Understanding Globalization, Employment and Poverty Reduction*. Basingstoke: Palgrave Macmillan.

Leke A., Lund S., Roxburgh C. and van Wamelen, R. (2010) "Whats Driving Africa's Growth?" *McKinsey Quarterly*, June.

Levine, R. and Renelt, D. (1992). "A Sensitivity Analysis of Cross-Country Growth Regressions." *American Economic Review* 82(4): 942-963.

Li, X. (2009) „Case Study on China‟s Special Economic Zones.‟ Beijing: Institute of Economic and Resources Management, Beijing Normal University.

Limao, N. and Venables, A.J. (1999) „Infrastructure, Geographical Disadvantage, and Transport Costs.' Policy Research Working Paper 2257. Washington, DC: World Bank.

Lichaba, L. and Lepati, P. (2009) „Lesotho Country Report.‟ Washington, DC: World Bank

Lopez, H. and Serven, L. (2009) „Too Poor to Grow.‟ Policy Research Working Paper 5012. Washington, DC: World Bank.

Lusaka Times (2008) „Zambia: Chambishi Economic Zone to Attract $800 Million in Investment.‟ 30May.

Madani, D. (1999) „A Review of the Role and Impact of Export Processing Zones.‟ Policy Research Working Paper 2238. Washington, DC: World Bank.

McGregor‟s (2004) „Africa Inc: Who Owns Whom Database of South African Business in Africa.‟ www.whoownswhom.co.za.

Meyn, M. and te Velde, D.W. (2008) „Regional Integration in African, Caribbean and PacificCountries. A Review of the Literature.‟ Report for the EC‟s DG Development.

Moore, M. and A. Schneider (2004), Taxation, governance and poverty: where do the Middle Income Countries fit?, IDS Working Paper 230.

Moyo, D. (2009) *Dead Aid: Why Aid is Not Working and How there is a Better Way for Africa*. New York: Farrar Straus & Giroux.

Murinde, V. (2009) „Global Financial Crisis: Implications for Africa‟s Financial System.‟ Birmingham: Birmingham Business School, University of Birmingham.

Murphy, K., Shleifer, A. and Vishny, R. (1989) „Industrialization and the Big Push.‟ *Journal of Political Economy* 97(5): 1003-1002.

Murray, M. (2010) „A Survey of Special Economic Zones.‟ Iowa City, IO: Center for International Finance and Development, University of Iowa.

Narrainen, N.L. (2009) „Mauritius Country Report.‟ Washington, DC: World Bank.

Ngone, A. (2008) „China‟s Cooperation and Engagement with Africa: A COMESA Perspective.‟Experience-Sharing Program on Development Between China and Africa, 22 May.

North, D. (2005) „Understanding the Process of Economic Change.‟ Princeton, NJ: Princeton University Press.

OAU (1991) „Treaty Establishing the African Economic Community.‟ Abuja, 3 June.

OECD (2010) „Supporting Developing Countries to Enhance Human Resource Development. What Opportunities for the G20?‟ Issue Paper submitted to the G20 High-Level Development Conference. Seoul, 13 October.Omar, K., and W. A. Stoever (2008), The role of technology and human capital in the EPZ life-cycle, *Transnational corporations,* see http://www.unctad.org/en/docs/iteiit20081a6_en.pdf

Petersen, L. (2006) „South Africa‟s Bilateral Investment Treaties: Implications for Development and Human Rights.‟ Occasional Paper 26. New York: Friedrich Ebert Stiftung.

Pillay, D. (2004) „African Social Observatory Synthesis Report.‟ in Human Sciences

Research Council (2004) *Stability, Poverty Reduction and South African Trade and Investment in Southern Africa Conference Report*. Pretoria: SARPN.

Public Agenda (2009) „Africa—Asia Exchange on Special Economic Zones and Competitive Clusters.‟ 20 May.

Quah, D. (1996) „Twin Peaks: Growth and Convergence in Models of Distribution Dynamics.‟*Economic Journal* 106(437): 1045-1055.

Radwan, I., Akindeinde, A., Nwagboso, C., Sandall, R. and Ugochukwu, C. (2010) „Youth Employment in Africa: Harnessing the Power of the Private Sector to Create Sustainable Work Opportunities for Africa‟s Youth.‟ Washington, DC: AFTFP, World Bank.

Ravallion, M. (2004) „Pro-Poor Growth: A Primer.‟ Policy Research Working Paper 3242.Washington, DC: World Bank.

Ravallion, M. (2009) „The Crisis and the World‟s Poorest.‟ Washington, DC: World Bank.

Rolfe, R.J., Woodward, D.P. and Kagira, B. (2004) „Footloose and Tax Free: Incentive Preferences in Kenyan Export Processing Zones.‟ *South African Journal of Economics* 72(4): 784-807.

Rotberg, R.I. (ed.) (2008) „China into Africa. Trade, Aid and Influence.‟ Cambridge, MA. World Peace Foundation.

Roxburgh, C. et al. (2010) „Lions on the Move: The Progress and Potential of African Economies.‟ McKinsey Global Institute report.

Rumney, Reg and Pingo M, (2004) „Mapping South Africa‟s Trade and Investment in the Region.‟ Stability, Poverty Reduction and South African Trade and Investment in Southern Africa Conference. Pretoria, 29-30 March.

Sachs, J.D., McArthur, J.W., Schmidt-Traub, G., Kruk, M., Bahadur, C., Faye, M. and. McCord, G. (2004) „Ending Africa's Poverty Trap.‟ *Brookings Papers on Economic Activity* 2004(1):117- 240:

Sachs, J. et al. (2005) *Investing in Development: A Practical Plan to Achieve the Millennium Development Goals*. UN Millennium Project. New York: Earthscan.

Salter, G. (2009) „Price Power: China‟s Role in the Telecommunications Sector of the Democratic Republic of the Congo.‟ China-Africa Report 6. Johannesburg: SAIIA

Santarelli, E. and Figini, P. (2004) „Does Globalization Reduce Poverty? Some Empirical Evidence for the Developing Countries.‟ In Lee, E. and Vivarelli, M. (2004) *Understanding Globalization, Employment and Poverty Reduction*. Basingstoke: Palgrave Macmillan.

Sauvant, K.P., McAllister, G. and Maschek, W.A. (2010) *Foreign Direct Investments from Emerging Markets: The Challenges Ahead*. New York: Palgrave Macmillan.

Singapore Online (2009) „Study Visit Exposes African Countries to Singapore‟s Development Experience.‟ 9 May.

Singa Boyenge, J.P. (2007) „ILO Database on Export Processing Zones (Revised).‟ www.ilo.org/public/english/dialogue/sector/themes/epz/epz-db.pdf.

Sohlman, S. (2009) .*Kinas Relationer med Afrika ur ett Handelsperspektiv*. Stockholm:Kommerskollegium (Swedish National Board of Trade).

Spieza, V. (2004) „Trade, FDI and Employment: Some Empirical Evidence.‟ In Lee, E. and Vivarelli,

M. (2004) *Understanding Globalization, Employment and Poverty Reduction*. Basingstoke: Palgrave Macmillan.

Stern, N. et al. (2006) *Stern Review: The Economics of Climate Change.* London: HM Treasury.

Su, D. and Zhong, R. (2009) „The Three Historic Contributions of Special Economic Zones in China.‟ Washington, DC: World Bank.

Te Velde, D.W. (2004) (ed.) *Foreign Direct Investment, Inequality and Poverty: Experiences and Policy Implications.* London: ODI.

Te Velde, D.W (2005) „Globalisation and Education.‟ Working Paper. London: ODI.

Te Velde, D.W (ed.) (2010a) „Effective State-Business Relations, Industrial Policy and Economic Growth.‟ London: ODI and IPPG.

Te Velde, D.W. (2010b) (ed.) „*The G20 Framework for Strong, Sustainable and Balanced Growth: The Role for Low Income and Small and Vulnerable Economies*. London: ODI.

Te Velde, D.W. and Bezemer, D. (2006) „Regional Integration and Foreign Direct Investment in Developing Countries.‟ *Transnational Corporations* 15(2): 41-70.

Te Velde, D.W. and Morrissey, O. (2002) „Foreign Direct Investment: Who Gains?‟ Briefing Paper. London: ODI.

Te Velde, D.W. et al. (2010) „The Global Financial Crisis and Developing Countries: Synthesis of the Findings of 10 Country Case Studies.‟ Working Paper 306. London: ODI.

The Economist Magazine (2010) „Schumpeter: Uncaging the Lions: Business is Transforming Africa for the Better.‟ *The Economist Magazine*, 10 June.

The Investor (2009) „Africans and Asians Meet on Knowledge Tour.‟ 20 May.The Straits Times (2009) „S'pore Firms Show Keen Interest in Africa.‟ 6 May.

Toye, J., 2000, „Fiscal crisis and fiscal reform in developing countries‟, *Cambridge Journal of Economics*, Vol 24 No 1: 21–44.

Tussie, D. and Aggio, C. (2005) „Economic and Social Impacts of Trade Liberalization.‟ In Fernandez de Cordoba, S. and Laird, S. (2005) (eds.) *Coping with Trade Reforms: A Developing-Country Perspective on the WTO Industrial Tariff Negotiations*. Geneva: UNCTAD.

UN (2006) „Overcoming Economic Vulnerability and Creating Employment.‟ Report of theCommittee for Development Policy on the Eighth Session, 20-24 March 2006.

UNCTAD (2000) „Capital Flows and Growth in Africa. Economic Development in Africa.‟ Geneva:UNCTAD.

UNCTAD (2002) *World Investment Report 2002: Transnational Corporations and ExportCompetitiveness*. Geneva: UNCTAD

UNCTAD (2004) „FDI in Services — A Growing Business for EPZs.‟ Investment Brief 2. Geneva:UNCTAD.

UNCTAD (2005) „Rethinking the Role of Foreign Direct Investment. Economic Development inAfrica.‟ Geneva: UNCTAD.

UNCTAD (2007) „Economic Development in Africa. Reclaiming Policy Space. Domestic ResourceMobilization and Developmental States.‟ Geneva: UNCTAD.

UNCTAD (2009) „Economic Development in Africa Report: Strengthening Regional EconomicIntegration for Africa‟s Development.‟ Geneva: UNCTAD.

UNCTAD (2010a) „Economic Development in Africa Report 2010. South-South Cooperation: Africaand the New Forms of Development Partnerships.‟ Geneva: UNCTAD.

UNCTAD (2010b) *World Investment Report. Investing in a Low-Carbon Economy*. Geneva:UNCTAD.

UNCTAD (2010c) *Transport Newsletter* 45. First Quarter 2010. Geneva: The Trade LogisticsBranch Team, UNCTAD.

UNCTAD (2010d) „Investment Policy Review. Sierra Leone.‟ Geneva: UNCTAD.

UNESCO-UNEVOC (2006) „Participation in Formal Technical and Vocational Education and Training Programmes Worldwide. An Initial Statistical Study.‟ Bonn: UNESCO.

UNESCO (2006) „Building Skills for Poverty Reduction.‟ UNESCO International Institute forEducational Planning http://www.iiep.unesco.org/fileadmin/user_upload/pdf/jule06.pdf .

Vandemoortele, M. (2010) „Does Equity Reinforce Macroeconomic Resilience?‟ PEGNet

Conference on Policies to Foster and Sustain Equitable Development in Times of Crisis.

Winters, L.A., Lim, W.. Hanmer, L. and Augustin, S. (2010) 'Economic Growth in Low Income Countries: How the G20 Can Help to Raise and Sustain It.‟ ED-WPS No. 8-2010.

Woods, N. (2009) „What Africa Needs from the G20.‟ GEG Blog. 2 February. www.globaleconomicgovernance.org/blog/2009/02/what-africa-needs-from-the-g20/.

World Bank (2007) „Uganda Country Economic Memorandum, 2007‟. Washington, DC: WorldBank.

World Bank (2008) *World Development Report 2008*. Washington, DC: World Bank.

World Bank (2009) „Africa—East Asia Experience Exchange on Special Economic Zones & Competitive Clusters.‟ May 1-12.

World Bank (2010a) „Africa‟s Infrastructure. A Time for Transformation.‟ Washington, DC: World Bank.

World Bank (2010b) „Youth Employment in Africa: Harnessing the Power of the Private Sector to Create Sustainable Work Opportunities for Africa‟s Youth.‟ *African Journal of Political Science and International Relations.*

Yansheng, Z. (2009) „China‟s SEZs and Cluster Development Government Strategies and Policies.‟ Africa–East Asia Experience Exchange on Special Economic Zones and Competitive Clusters. Singapore, 1-12, May.

Yeung, Y.-M. et al. (2009) „China‟s Special Economic Zones at 30.‟ *Eurasian Geography & Economics* 50(2): 222-240.

Resources for more information about cluster development and SEZs

IFC SEZ Deep Dive
GDLN on Cluster Development and SEZs:
http://web.worldbank.org/WBSITE/EXTERNAL/WBI/WBIPROGRAMS/ICLP/0,,contentMDK:22024864~pagePK:64156158~piPK:64152884~theSitePK:461150,00.html

North Africa

Algeria: www.mppi.dz/privatisation.aspwww.andi.dz

Egypt: www.ahram.org.eg/hebdo/arab/ahram/2001/3/21/doss0.htm www.gafi.gov.eg/

Morocco: www.mcinet.gov.ma/mciweb/zonesindustrielles/rehabilitation.htmwww.ccist.gov.ma

Tunisia: www.investintunisia.tnwww.industrie.gov.tn

Sub-Saharan Africa

Cape Verde: www.virtualcapeverde.net/capeverdeusaembassy/InvestmentInvestinCapeVerde.ppt

Cameroon: www.izf.net/izf/ee/pro/index_frameset.asp?url=http://www.izf.net/IZF/EE/pro/cameroun/6082.asp

Côte d'Ivoire: www.icongrouponline.com/browse/EntrySS/0741825309.html

Gabon: www.otal.com/walnabr03f.htm

Ghana: www.gfzb.com/ www.ghana.gov.gh/investing/free_zones.php

Kenya: www.epzakenya.com/default.asp

Lesotho: www.lndc.org.ls

Malawi: www.malawi-invest.net/index.htm

Mali: www.cnpi-mali.org/index.htmlwww.ametrade.org

Mozambique: www.refer.org/miroirs/mrice_ct/cop/moumoz/inves.htm

Namibia: www.republicofnamibia.com/export.htm
www.globalpolicynetwork.org/research/namibia/jauch.pdf

Nigeria: www.nipc-nigeria.orghttp://www.nepza.org

Senegal: www.izf.net/izf/ee/pro/indexframeset.asp?url=http://www.izf.net/izf/EE/pro/senegal/6082.asp

South Africa: www.coega.co.za/

Rwanda:https://rdb.rw/departments/sez-and-exports/#:~:text=Rwanda's%20SEZ%20program%20is%20designed,bureaucracy%20and%20availability%20of%20skills.