



A Special Issue to Celebrate 50 Years of LDC Category

Bringing the voice of the **L**east **D**eveloped **C**ountries into the G20 policy agenda

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ABBREVIATIONS AND ACRONYMS

AAAA	Addis Ababa Action Agenda
AfDB	African Development Bank
ASG	Think 20 African Standing Group
CCRT	Catastrophe Containment and Relief Trust
DAC	OECD Development Assistance Committee
DSSI	Debt Service Suspension Initiative
DWG	G20 Development Working Group
FDI	Foreign direct investment
GBP	Green Bond Principles
GDP	Gross domestic product
GHG	Global greenhouse gas
GIH	Global Infrastructure Hub
GSSS	Green, social, sustainability and sustainability-linked
HIC	High-income country
IAI	Instituto Affari Internazionali
ICTs	Information and communication technologies
IFI	International fiscal institutions
IMF	International Monetary Fund
IPoA	Istanbul Programme of Action
IRENA	International Renewable Energy Agency
LDC	Least developed country
LIC	Low-income country
LMIC	Low- and middle- income country
LSF	Liquidity and Sustainability Facility
MDB	Multilateral and Development Banks
MW	Megawatt
ODA	Overseas development assistance
OECD	Organisation for Economic Cooperation and Development
PIDA	Program for Infrastructure Development in Africa
PIMCO	Pacific Investment Management Company
PPP	Public-private partnership
PRGT	Poverty Reduction and Growth Trust
PQL	PIDA Project Quality Label
PV	Photovoltaics
QII	Quality Infrastructure Investment
SDG	Sustainable Development Goal
SDR	Special Drawing Rights
T20	Think20
UMIC	Upper- and middle- income country
UNCTAD	United Nations Conference on Trade and Development
UNECA	United Nations Economic Commission for Africa
UNEP	United Nations Environment Programme

INTRODUCTION

The COVID-19 pandemic has significantly set back progress in the implementation of the 2030 Agenda for Sustainable Development right at the beginning of the United Nations Decade of Action, hitting the least developed countries (LDCs) particularly hard. Its impact on both people and economies has shed light on how unsustainable our economic and social systems are, underscoring multifaceted patterns of interdependence across countries and development dimensions. The World Bank has estimated that the pandemic has pushed between 119 and 124 million more people into extreme poverty in 2020, further compounding challenges to poverty eradication, such as conflict, climate change and natural disasters. The crisis is also exacerbating global inequalities: in 2020, the equivalent of 255 million full-time jobs were lost, while according to the State of Food Security and Nutrition in the World Report, an additional 161 million people suffered from hunger, most of whom are in developing and least developed countries (LDCs).

The spread of COVID-19 has also affected multiple Sustainable Development Goals (SDGs), such as access to quality education (SDG4) – with an additional 101 million children and young people falling below the minimum reading proficiency level, wiping out the education gains achieved over the previous two decades – as well as gender equality (SDG5), as it is estimated that up to 10 million additional girls will be at risk of child marriage in the next decade as a direct result of the pandemic.

Addressing these challenges through broad range, concerted interventions across various domains is crucial to support an effective fair and legitimate rules-based multilateral system. There is a need for global coordinated action to cope with the health crisis in the short-term, while ensuring these are part of long-term sustainable plans enforcing structural changes. As part of a broader multilateral architecture, the G20 can play a crucial role to bring coherence, transparency and support to these transformative processes reinforcing their alignment with the SDGs.

The G20 has become a key multilateral forum for discussion of pressing international economic issues for LDCs. The launch of the G20 Development Working Group (DWG) in 2010 marked the formal incorporation of the development agenda, and also the African Union participating with observer status for the first time. Since then, the increasing activism of the G20 in the development sphere has been accompanied by growing calls for enhanced representation of African and LDC perspectives. The G20 DWG, co-chaired by South Africa, holds a privileged position in pursuit of the “building back better” strategy after the pandemic. A number of sensitive topics for LDCs, such as debt relief and finance for development, have already topped the Working Group’s agenda at past meetings, although in a still complex cohabitation with other G20 working groups, such as the Finance Track. Recent examples of G20 decisions that

directly affect the LDCs include the adoption of the Debt Service Suspension Initiative (DSSI), as well as the debate over the reallocation of Special Drawing Rights (SDRs).

Against this backdrop, despite the G20 having the merit to involve more and more actors in the negotiations on key global issues, it still suffers from a restricted membership that does not allow it to fully address the needs of LDCs and African countries, consequently reducing its legitimacy in some regions of the world. African countries have the most to lose by a progressive erosion of global multilateral institutions and should be therefore given the opportunity to influence decisions taken in multilateral fora, such as the G20. Yet, due to weak institutional and coordination capacities, as well as a limited representation, African countries find it difficult to contribute to the related agenda setting, with attendant risks for the effectiveness and legitimacy of the measures adopted.

Such asymmetric structure and simplified decision-making have thus raised concerns about its capacity to achieve a truly inclusive approach to the global agenda. These structural limitations, coupled with the confinement of Africa-related matters to the development policy silo has also been criticised as a sign of the reification of the donor-recipient relationship. Only with African buy-in can the G20 authentically contribute to effective global policy coordination in the region. Therefore, G20 Presidencies should identify innovative ways to bring the voice of the most vulnerable countries in their policy agendas, with the aim to “build back together” particularly in the fields of development finance and infrastructural development.

It is with these thoughts in mind that this research project – coordinated by the Istituto Affari Internazionali (IAI) as scientific advisor for the Italian Presidency of the G20 and Co-Chair of the Think20 (T20) Italy 2021, with the support of the United Nations Conference on Trade and Development (UNCTAD) – has been launched. The aim has been to investigate the role that current and future G20 Presidencies can play to address these institutional, infrastructural and financial challenges that are at the core of the LDCs’ present and future development agendas.

In order to foster the debate on these critical issues, the report is divided into four sections. Chapter 1 addresses the role of African countries within the G20 decision making processes. Starting with a reflection on the impact of COVID-19 for Africa, the section then focuses on the role and agency of LDCs and African countries in the G20 policy mechanisms. It outlines key themes (e.g. trade, green transition, fair financial architecture) and new actors (e.g. the African Standing Group within the T20) that could be brought to the table to ensure a more decisive and impactful role for LDCs and African countries in the G20 decision making processes.

Chapter 2 analyses the role of quality and climate-resilient infrastructure to boost sustainable and long-term recovery and development for LDCs. The section first addresses why these investments are crucial for sustainable development, showing the impact and costs that inaction

could cause. In addition, it discusses the current gaps and obstacles (e.g. financial, technical, institutional) that still hamper the development of new infrastructural models that aim to shift from a “do not harm” to a “net benefits” principle. Finally, it draws some policy recommendations from the T20.

Chapter 3 focuses on development finance with the aim to reflect on how the G20 can support and identify innovative mechanisms to mobilize financial resources for the LDCs. The section begins with assessing the financial needs of LDCs, showing how COVID-19 has exacerbated existing vulnerabilities; and then focuses on three main areas where the G20 could play a key role in bringing forward a more effective architecture for development finance: blended finance, special drawing rights (SDRs) reallocation, and sustainable bonds. The section concludes with a series of proposals and conclusions for G20 decision makers.

Finally, the report presents some conclusions, summarizes the main proposals addressed by the different sections, and identifies key priorities of immediate interest to African and LDC countries, on which current and future G20 Presidencies should continue working on in the next years.

CHAPTER 01

BOOSTING AFRICA'S AND LDC'S AGENCY IN THE G20

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