Chapter 10

The reform of institutions of global economic governance

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1 Introduction

The institutions of global economic governance were created in the first half of the 20th century when it became clear that with increasing levels of economic interdependence, it was necessary for large nation states to come together to solve key collective action problems that undermined global economic and political stability. One of the questions of our time is whether these institutions, can evolve to accommodate shifts in the configuration of systemically significant economies and reframe and resolve global economic problems that require collective action. This chapter provides an overview of South Africa's contribution to efforts to reform the governance of the World Bank Group[1] (WBG) and International Monetary Fund (IMF) and draws lessons to inform an approach for the challenges and opportunities ahead.

2 The institutions of global economic governance

The institutions of global economic governance have their origins in a system of cooperation used by modern capitalist economies to support their financial and trading relationships since the early part of the 20th

1 The World Bank Group is composed of five distinct legal entities with complementary roles. The International Bank for Reconstruction and Development (IBRD) and International Development Association (IDA) form the World Bank, which provides financing, policy advice, and technical assistance to governments of developing countries. IDA focuses on the world's poorest countries, while IBRD assists middle-income and creditworthy poorer countries. The International Finance Corporation (IFC), Multilateral Investment Guarantee Agency (MIGA), and International Center for the Settlement of Investment Disputes (ICSID) focus on strengthening the private sector in developing countries.

century. In the early 1940s, leaders in the United States (US) and United Kingdom (UK) recognised that competitive devaluations, unstable exchange rates, and protectionist trade policies had been key drivers of a global economic depression and two catastrophic world wars. They acted to mitigate the risk of recurrence convening a meeting in Bretton Woods, New Hampshire, in July 1944 where they agreed rules for the post-war international monetary system and more routine cooperation on trade and investment. The resulting international framework for relationships between nations states, led largely by the US and the UK has since been referred to as 'the Bretton Woods System'.

At a technical level, the Bretton Woods System was an arrangement where systemically significant trading economies pegged their currencies to the US dollar, while the US agreed to peg the value of the dollar to gold at a price of $35 an ounce, i.e. a modified 'gold standard'. Member nations would buy or sell dollars to keep within a 1% band of the fixed rate and could adjust this rate only in the case of a disequilibrium in their balance of payments. The institutions they created to underpin the necessary related interactions were the International Monetary Fund (IMF), the International Bank for Reconstruction and Development (IBRD) which would become part of the WBG, and a General Agreement on Tariffs and Trade (GATT), the precursor of the World Trade Organization (WTO).[2]

It is important to note that by 1994, the Bretton Woods System referred to much more than a technocratic arrangement. It became a catchall term for an outlook and philosophy promoted by the large quota holders and shareholders of the IMF and WBG respectively on how an economy should be managed and governed. This system was remarkably successful in shoring up global economic and political stability in the three decades that followed the Second World War; however, by 1971, the US no longer had the surpluses necessary to maintain the Bretton Woods System and acted unilaterally to end it by no longer allowing the Federal Reserve to redeem dollars with gold. Delinking the dollar from the price of gold and shifting to a system of floating exchange rates led to rapid changes in the global financial system and an exponential increase in the role of financial markets and institutions in the operation of domestic and international

2 While the IMF and World Bank were set up with an organisational structure and political mandate, GATT was a legal agreement to which 23 countries initially signed on to promote cooperation in reducing trade barriers. It was intended to be temporary, to be replaced by an International Trade Organization, but this was not ratified by a sufficient number of countries for it to come into effect. By 1994, GATT had 123 signatories and the explosion of trade between nation states made it increasingly apparent that a multilateral organisation had to be established to support especially the resolution of trade disputes. In 1995, the World Trade Organization was created to that end.

economies. It also led to a profound change in the role and mandate of the Bretton Woods Institutions, particularly the IMF which shifted from being a manager of balance of payments difficulties to a promotor of general principles of good behaviour with respect to exchange rates, as well as a lender of last resort in the event of financial shock, with related conditionality.

These institutions of global economic governance now framed a global and globalising economy with the US economy at its centre. As the tensions between the US and the Soviet Union deepened into a 'cold war', the US and its allies became increasingly insistent that other countries adopt the norms, principles and policies that had gradually emerged from within their own domestic context and linked these to support from the IMF and WBG. These included the promotion of economic openness, free markets, and respect for human rights. The institutions of global economic governance played a central role in advancing a 'liberal internationalism'[3] as countries in Africa, Asia, and Latin American were encouraged to recognise that their political and economic security was tied to their subscription to these ideas.

3 South Africa's agenda after 1994

The African National Congress (ANC) directed the anti-apartheid struggle from exile from 1960 to the early 1990s with support from the Soviet Union and based predominantly in Angola, Tanzania and Zambia. Support from the US and the UK for the anti-apartheid struggle came late, as President Ronald Reagan and Prime Minister Margaret Thatcher were unwilling to condemn South Africa's political system, despite the fact that the apartheid government was behaving in a manner inconsistent with the values promoted under liberal internationalism, particularly with respect to human rights. Eventually domestic pressures in the US and UK forced them to adopt a more robust attitude. By the early 1990s, it was clear that the ANC represented South Africa's government-in-waiting, triggering interest in the ANC's economic policy agenda, both domestically and in its future international financial relations. The question of whether an ANC-led South Africa would subscribe to liberal internationalism was addressed by Nelson Mandela in a speech to the World Economic Forum

3 A marriage between the pursuit of liberal purposes (security, free trade, human rights, rule of law, democracy promotion, etc.) and the use of institutionalist means to pursue them (multilateral institutions, including the Bretton Woods Institutions, the UN, NATO and the G7).

(WEF) meeting in 1992 where he described a vision for South Africa as part of:[4]

> …. a future in which the peoples, in all countries, will govern themselves under open and plural democratic systems … we, too, will establish a society based on respect for human rights, to ensure the freedom and dignity of every individual, as an inalienable condition of human existence and development.

However, Mandela did not ignore the widespread concerns with respect to the impact of the related set of economic policies promoted by the institutions of global economic governance in the developing world, as well as the particular challenges confronted by less-developed economies with respect to their participation in a global economy shaped by these institutions. In the same speech he spoke directly to issues of market access, primary commodity dependence of many countries (and concomitant vulnerability to exogenous shocks, particularly price shocks) and external debt. He also stressed the risk to political stability and social cohesion that resulted from structural adjustment policies and signalled that while the ANC was willing to accept the necessity of certain economic policies as a requirement of participation in the global economy, including liberalisation, the larger system of global economic and financial cooperation needed to be reformed to be more responsive to drivers of underdevelopment in many countries:[5]

> We say this fully aware of the general shortage of capital in the world, its sensitivity to economic imperatives and its mobility. We also say this knowing that the underdeveloped countries have to continue addressing such issues as better utilization of resources and management of their economies, better governance, human resource development, including the upliftment and liberation of women, as well as the protection of the environment. Among other things that the concerted global offensive would have to deal with are, of course, the debt problem, the issue of the continuous decline in the price of commodities that the poorer countries export, and access to markets for their manufactured goods. We would like to take advantage of this opportunity to bring to your attention, as others have done before, the problems that many African and other poor countries experience as they implement structural adjustment programmes. Carried out without providing a social net to cushion their impact on those who are already gravely disadvantaged, these programmes may create more problems than they solve.

These remarks suggested that the ANC had concluded that it would respond to the widespread antipathy to the rules and policies promoted across Southern Africa by the institutions of global economic governance

4 WEF (World Economic Forum), 'Nelson Mandela's 1992 Davos address', 6 December 2013, https://www.weforum.org/agenda/2013/12/nelson-mandelas-address-to-davos-1992/ (accessed 3 September 2019).

5 *Ibid*.

through positive engagement in pursuit of maximising potential benefits and reducing the drawbacks. The rights and wrongs of the ANC's decision to give in to the then ascendant 'Washington Consensus' view of economic management has been the focus of extensive debate within South Africa[6] but it is important to note that the ANC was one among many governments, who, after the fall of the Soviet Union, were encouraged to recognise that liberalism had triumphed, and that humanity was reaching:[7]

> not just ... the passing of a particular period of post-war history, but the end of history as such: that is, the end point of mankind's ideological evolution and the universalization of Western liberal democracy as the final form of human government.

The early 1990s represented the high point of globalisation and the promotion of a global capitalist production and the norms of political and social organisation under liberalism. The IMF, WBG, and the WTO, and the economic models they promoted, looked set to durably underpin a universal economic order at the same moment of South Africa's transition to democratic government. Workers from the former Soviet Union, Vietnam, China and other former communist countries rapidly became part of a global market economy and leaders enthusiastically pursued membership of organisations for which they were eligible including the European Union, the Organisation for Economic Cooperation and Development (OECD) and the WTO.[8] The ANC had publicly set aside the earlier aspirations of the Freedom Charter in favour of accepting the reality that the country would be best placed to participate in a global economy where international capital markets, not people, govern, punishing and rewarding 'well managed' economies with access to the finance that was critically necessary for new public investment priorities. Some sort of principled autarky was not a realistic option.

However, Mandela also signalled in his 1992 speech that the institutions of global economic governance needed to change and identified that the key to solving problems of legitimacy and effectiveness was the reform of *their governance*. The collective action problem that needed the focus of 'the international community' was not only the underdevelopment of many poor economies, but also their absence of 'voice' within global decision-making, which was also inconsistent with the central tenets of

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6 See, for example, Padayachee V, 'The South African economy, 1994–2004', *Social Research: An International Quarterly*, 72, 3, 2005, pp. 549–580.

7 Fukuyama F, *The End of History and the Last Man*. New York: Free Press, 1992.

8 The WTO now has 164 member states, 20% of which have joined since its creation in 1995. With the accession of China in 2001, Saudi Arabia in 2005, and Russia in 2012, all of the world's major economies are now members, covering around 98% of global commerce.

liberal internationalism, especially with its stress on fairness, democracy and justice. In his speech at Davos Mandela also emphasised that:[9]

> If the voices of millions have been freed to enunciate the political aspirations of the people, those voices will also surely speak loudly, proclaiming an urgent desire for an end to poverty and for a more equitable distribution of opportunities, income and wealth within and among the nations. We believe that those voices must be listened to and the concerns they express addressed. If the political transformations taking place across the globe are anything to go by, it would seem clear that these masses will not allow themselves to be silenced. They will not be fobbed off with polite and courteous but meaningless responses.

It is especially moving to note the parallels between the idealism of the ANC under Mandela's leadership at that time, and that of the US and its allies in the immediate post-war period. In both cases leaders appear to have believed that the success they perceived to have been attained domestically, together with the principles and ideas that they believed best defined their country, could and should be exported to the rest of the world.

The next section considers how South African policy makers set out to realise the reform of the institutions of global economic governance to provide for greater voice and participation by smaller developing economies.

4 Effecting change

For the next two decades, South Africa's contribution to progress on the reform of the governance of the Bretton Woods Institutions and ideas underpinning the Bretton Woods system was led by ministers of finance and trade. Ministers Trevor Manuel (1996-2009) and Pravin Gordhan (2009-2014, 2015-2017) were principally engaged with WBG and IMF reform, while Ministers Alec Erwin (1996-2004), Mandisa Mpahlwa (2004-2009) and Rob Davies (2009-2019) engaged at the WTO.

Within South Africa, the role of finance minister is understood as delivering the Budget and managing public spending through the National Treasury. What is less well known is that finance ministers, central bank governors, ministers responsible for Official Development Assistance (ODA) and ministers of economic planning meet in Washington twice a year at the offices of the IMF and WBG. Ministers and central bank governors play their role as 'governors' representative of national WBG

9 WEF, *op. cit*.

shareholders (either through the purchase of shares or donor contributions to IDA) and providers of IMF finance (either through quota or bilateral lending). The 'governors' formally receive the annual reports, debate development and finance collective action problems and provide strategic guidance to IMF and WBG management at the Development Committee (DC)[10] and the International Monetary and Finance Committee (IMFC).[11] South African ministers of finance also attend the meetings of the other development finance institutions which in South Africa's case include the African Development Bank (AfDB) and BRICS New Development Bank (NDB), as well as key caucus structures such as the meetings of Finance Ministers and Central Bank Governors at the G20 and the grouping of Brazil, Russia, India, China and South Africa (or BRICS group), both of which now inform heads of state processes. There are also several Africa 'caucus' structures, including one arranged by the offices representing sub-Saharan Africa within the WBG and IMF. While meetings of the United Nations are usually the focus of ministries of foreign affairs, where issues of global financial and economic governance are on the agenda, and / or where ministers of finance are perceived as adding value in raising the profile of particular issues, they are invited to attend on an *ad hoc* basis. These engagements often overlap in content and should be viewed as a networked or interconnected set of engagements that provide the opportunity to introduce ideas and build relationships. This enables these ministers to pursue a wide range of objectives within the larger global architecture of global economic governance.

Manuel and Gordhan's contribution to reform the WBG and IMF is significant for reasons that include the fact that they held the finance portfolio at key moments of global political and economic crisis within which they identified opportunities to act. Both evidenced a conviction that they had a responsibility to deliver on Mandela's vision of South Africa's role in the world while exercising the international responsibilities

10 The Development Committee's (DC) full title is the Joint Ministerial Committee of the Boards of Governors of the World Bank and the International Monetary Fund on the Transfer of Real Resources to Developing Countries. It tables critical development issues and highlights the financial resources required to promote economic development. The DC has 25 members (usually ministers of finance or development) who together represent the full membership of the IMF and World Bank.

11 The International Monetary and Financial Committee (IMFC) advises and reports to the IMF Board of Governors on the supervision and management of the international monetary and financial system. The size and the composition of the IMFC mirror that of the Executive Board. The IMFC has 24 members who are usually central bank governors, ministers, or others of comparable rank drawn from the governors of the Fund's 189 member countries. The IMFC is currently chaired by Lesetja Kganyago, governor of the South African Reserve Bank, who was selected to head the committee in January 2018. Several international institutions, including the World Bank, participate as observers in the IMFC's meetings.

of South Africa's Finance Minister. They demonstrated a personal desire to contribute their skills and experience of struggle and activism to South Africa's international economic relations.

It was within the UN system that Manuel had his first major success in influencing thinking with respect to how the economic and financial relationships between developed and developing countries ought to be managed in the 21st century. He served as Special Envoy of Secretary-General Kofi Annan at the International Conference on Financing for Development in Monterrey, Mexico, in 2002 which produced the Monterrey Consensus[12] framing a more multidimensional view of underdevelopment and new content for supporting economic development. The Monterrey Consensus represents a very significant shift in approach to solving economic development problems in that it confers greater responsibility to developed countries for their behaviour within the global economy and their effects on developing economies, making economic development a shared or 'mutual' responsibility in support of a global public interest. The six areas described in the Monterrey Consensus were ground-breaking in setting out a simple set of issues that would require a more meaningful partnership between developed and developing countries in support of economic development in an increasingly 'globalised' economic order. These six areas continue to frame development and development finance priorities and debates.

They are:[13]

1. Mobilising domestic financial resources for development;
2. Mobilising international resources for development: foreign direct investment and other private flows;
3. International trade as an engine for development;
4. Increasing international financial and technical cooperation for development;
5. External debt; and
6. Addressing systemic issues: enhancing the coherence and consistency of the international monetary, financial and trading systems in support of development.

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12 UN, 'Monterrey Consensus on Financing for Development', International Conference on Financing for Development, Monterrey, Mexico, 18–22 March 2012, https://www.un.org/en/development/desa/population/migration/generalassembly/docs/globalcompact/A_CONF.198_11.pdf (accessed 7 September 2019).

13 *Ibid*.

The sixth and final chapter of the Monterrey Consensus gave particular attention to the need to reform the institutions of global economic governance and includes:[14]

- calls for reform to ensure '*effective participation of developing countries and countries with economies in transition'*;
- an appeal for *'strong coordination of macroeconomic policies among the leading industrial countries is critical to greater global stability and reduced exchange rate volatility, which are essential to economic growth, as well as for enhanced and predictable financial flows to developing countries and countries with economies in transition';*[15]
- a push for the IMF '*to continue to give high priority to the identification and prevention of potential crises*';[16]
- a demand that multilateral financial institutions, '*in providing policy advice and financial support, (work) on the basis of sound, nationally owned paths of reform that take into account the needs of the poor and efforts to reduce poverty'*; and
- an emphasis on the need to broaden and strengthen the participation of developing countries in international economic decision-making and norm-setting.

Around the same time as the release of the Monterrey Consensus, Manuel took up the influential role of chair of the DC, a position he held from 2001 to 2005, and through which he pursued a range of initiatives to emphasise the need for a much greater focus on financial support for the process of development, particularly in sub-Saharan Africa. He relished reminding IMF and WBG Governors that the full name of the DC was the '*Joint Ministerial Committee of the Boards of Governors of the Bank and the Fund on the Transfer of Real Resources*' as he lobbied especially G8 countries to meet the commitments they had made to increase the quality and quantity of official development assistance. Manuel formed a partnership with UK Chancellor Gordon Brown, chair of the IMFC from 1999 to 2007, and together they pursued the necessary political agreement among WBG and IMF governors to deliver debt relief for especially low-income primary

14 *Ibid*.

15 It would take a further seven years and a global financial crisis for the G20 to set up a Mutual Assessment Process, where they identify shared objectives for the global economy, as well as the policies needed and the progress made to reach them. At the request of the G20, the IMF provides technical analysis to evaluate key imbalances, and how members' policies fit together.

16 In November 2008 the G20 asked the IMF and the Financial Stability Board (FSB) to collaborate on regular early warning exercises (EWEs). The EWE assesses low-probability but high-impact risks to the global economy and identifies policies to mitigate them. It integrates macroeconomic and financial perspectives on systemic risks, drawing on a range of quantitative tools and broad-based consultations.

commodity exporting countries.[17] Manuel also demanded that specific commitments made at Monterrey were kept alive, particularly those with respect to the reform of institutions of global economic governance, and ensured their inclusion in the communiques of the DC and key caucus groups.

Manuel's habit and reputation for straight talking in what are often highly polished and choreographed meetings increased his profile and these relationships. This, together with sustained lobbying efforts by South Africa on the issue of inclusion, were among the reasons why the UK invited some developing countries, including South Africa, to participate in the G8 Summit at Gleneagles in 2005. At this Summit, the UK presented the findings of a Commission for Africa to promote ideas and lobby for support for efforts to invest in development in Africa. The G8 decisions at this 2005 Gleneagles Summit included a pledge to double ODA to sub-Saharan Africa and address indebtedness, with the latter leading to the Multilateral Debt Relief Initiative (MDRI) later that year. This practice of inviting South Africa with other systemically significant economies to G8 Summits persisted for the next six years;[18] however, subsequent G8/G7 presidencies have not given the question of underdevelopment in sub-Saharan Africa as much profile and consideration and it is no longer a routine item on the agenda of that meeting. Manuel continued to be vocal on the need to reform the institutions of global economic governance, notably encouraging the South African media to 'ask difficult questions' on issues of fairness in global economic governance such as this address to delegates at the 60th World Association of Newspapers Conference in 2007:[19]

> We must constantly raise the voices of the people not represented at the table … there are important questions about who wins, who loses and who cares … clearly, without a more balanced report on both the winners and losers, especially those trapped by history, we will not have a basis to improve on the way in which the world functions, the manner in which institutions function and the way in which globalisation plays itself out.

In the following year, the 2008 conference to assess progress on the Monterrey Consensus in Doha presented an opportunity to highlight the continued absence of the 'voice' for countries in sub-Saharan Africa

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17 The Highly Indebted Poor Countries (HIPC) and Multilateral Debt Relief Initiatives (MDRI) have relieved more than 36 countries of almost $100 billion in debt. Most of these countries are in sub-Saharan Africa.

18 This practice was set aside by the US in 2012 when the US Presidency only invited core G8 leaders and the Commission and Council presidents of the European Union to its meeting at Camp David.

19 Breytenbach K, 'Manuel urges G8 grilling', *iol news*, 7 June 2007, https://www.iol.co.za/news/world/manuel-urges-g8-grilling-356486 (accessed 5 September 2019).

within the decision-making structures of the Bretton Woods Institutions. In October 2008, under considerable pressure from South Africa, WBG Governors reluctantly agreed to expand the WBG Board and create a third chair for sub-Saharan Africa, expanding the number of chairs on the Board of Directors of the WBG from 24 to 25.[20] Current constituency configurations and their voting power are summarised in Table 1.

In 2010, Angola, Nigeria and South Africa formed a new constituency sharing this chair on the Executive Board. This new middle-income Africa constituency was significant as, until then, sub-Saharan Africa's voice at the WBG Board was through two chairs organised into broadly Anglophone and Francophone offices, largely mirroring their colonial past. These chairs are composed of many countries and are preoccupied with the concerns and interests of their members, most of whom are reliant on concessional finance. As a result, their focus is largely on the borrowing requirement of constituency member countries with less attention paid to strategy and advocacy framed within the WBG.

Table 1: The current configuration of WBG Constituencies

IMF Constituencies (countries with larger % of shares in bold)	**Voting power (%)**
US	15.67
Japan	7.88
China	4.37
Austria, **Belgium**, **Turkey**, Belarus, Czech Republic, Hungary, Kosovo, Luxembourg, Slovak Rep., Slovenia	4.78
Spain, Venezuela, Mexico, Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua	4.69
Netherlands, **Ukraine**, Armenia, Bosnia & Herzegovina, Bulgaria, Croatia, Cyprus, Georgia, Israel, Macedonia, Moldova, Montenegro, Romania	4.13
Canada, Antigua & Barbuda, Bahamas, Barbados, Belize, Dominica, Grenada, Guyana, Ireland, Jamaica, St Kitts & Nevis, St Lucia, St Vincent & the Grenadines	4.01
Korea, **Australia**, Cambodia, Kiribati, Marshall Islands, Micronesia, Mongolia, New Zealand, Palau, Papua New Guinea, Samoa, Solomon Islands, Tuvalu, Vanuatu	3.98
Germany	3.96

20 The Board of Executive Directors (EDs) is in continuous session and meets several times a week. It is responsible for policy decisions affecting the World Bank Group's operation, and approval of loan, credit, grant and guarantee proposals. It must also present an audit of accounts, an administrative budget, and an annual report on the bank's operations and policies to the board of governors at their annual meetings.

Brazil, Colombia, Dominican Rep., Ecuador, Haiti, Panama, Philippines, Suriname, Trinidad &Tobago	3.76
France	3.71
UK	3.71
India, Bangladesh, Bhutan, Sri Lanka	3.59
Italy, Albania, Greece, Malta, Portugal, San Marino, Timor-Leste	3.39
Denmark, **Finland**, **Sweden**, Estonia, Finland, Iceland, Latvia, Lithuania, Norway	3.05
Switzerland, Azerbaijan, Kazakhstan, Kyrgyz Rep., Poland, Serbia, Tajikistan, Turkmenistan, Uzbekistan	3.06
Iran, **Pakistan**, Afghanistan, Algeria, Ghana, Morocco, Tunisia	3.05
Indonesia, **Thailand**, Brunei Darussalam, Fiji, Lao, Malaysia, Myanmar, Nepal, Singapore, Tonga,Vietnam	2.92
Russia, Syria	2.86
Kuwait, **Egypt**, Bahrain, Iraq, Jordan, Lebanon, Libya, Maldives, Oman, Qatar, UAE, Yemen	2.79
Saudi Arabia	2.74
Argentina, **Uruguay**, Bolivia, Chile, Paraguay, Peru	2.29
Benin, Burkina Faso, Cape Verde, Cameroon, CAR, Chad, Comoros, Congo, Djibouti, DRC Equatorial Guinea, Gabon, Guinea, Ivory Coast, Mali, Mauritania, Mauritius, Niger, Soa Tome & Principe, Senegal, Togo	2.05
Botswana, Burundi, Eritrea, Ethiopia, Gambia, Kenya, Lesotho, Liberia, Malawi, Mozambique, Namibia, Rwanda, Seychelles, Sierra Leone, South Sudan, Sudan, Swaziland, Tanzania, Uganda, Zambia, Zimbabwe	1.93
Angola, **Nigeria**, **South Africa**	1.64

Source: www.worldbank.org

It is worth noting that the total voting power of all three of the sub-Saharan African constituencies is less than 6%. While this often prompts understandable outrage, it is important to recall that the WBG is both an international institution and a bank, with relative voting power a function of relative shareholding i.e. the purchase of shares in support of capitalising the WBG. There is a structural bias in that the allocation of shares in a capital increase is determined by the size of a country (GDP) and its contribution to the concessional lending window of the WBG Group, the International Development Association (IDA). With these two drivers, sub-Saharan African countries are offered relatively fewer shares when governors agree to a capital increase. One of the reasons is that it is an arrangement that supports the material interests of low-income countries as most are heavily reliant on IDA financing. In addition, the experience of recent capital increases reveals that most sub-Saharan African countries are likely to pass on the offer to purchase shares in favour of other domestic and international expenditure priorities. The day-to-day decisions by the Board of Directors rarely come to an actual vote, and the three sub-Saharan African chairs have considerable voice in setting the agenda for the WBG, particularly when they work in concert. Given the role and global mandate of the WBG, it is very difficult for the Executive Directors representing the 94%+ of shareholding to push an agenda or hold a position that is not supported by the 'African Chairs', and the US and Chinese chairs routinely pursue support from these three constituency offices in order to leverage this powerful 'stakeholder' voice in driving their particular priorities within the WBG.

At the current juncture, there are a number of real factors that are favourable to sub-Saharan Africa within the institution, most notably the reluctance of the US and other members of the G7 to continue to lend to larger middle-income countries such as China, Turkey and most countries in Latin America on the basis that these economies have outgrown the founding purpose of the WBG. This is evidenced in the current WBG strategy which provides for a very strong tilt to investment and grant financing to sub-Saharan African countries.[21] While a cynic may argue that this is an attempt by the large shareholders to compete collectively more substantively against China as a lender in this sub-region, it does not alter the fact that the agreed IBRD and IFC capital increase and unprecedently high levels of IDA resources now available to 'those who need it most', represents an historical opportunity for countries in sub-Saharan Africa to access additional external finance for investment.

When he took over the finance portfolio in 2009, Gordhan was especially interested in the implications for South and Southern Africa of the rise of emerging economies and a more multipolar global economy. He considered how South Africa could avoid having to choose between engagement with countries such as China, and arrangements and relationships with developed countries. He was optimistic that an emerging post-crisis order suggested new and different opportunities for South Africa, and he used forums available to him within the various caucus structures that emerged out of the need to reform the Bretton Woods System to explore this idea. One example was his use of his role as chair of the G24 Caucus in 2013 to host a discussion among developing countries on the question of 'Realising the Potential for Multipolar

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21 World Bank, Development Committee, 'Forward Look: A Vision for the World Bank Group in 2030', 20 September 2016, http://pubdocs.worldbank.org/en/545241485963738230/DC2016-0008.pdf (accessed 7 September 2019).

Growth and Development' led by the then WBG chief economist, Justin Lin. Gordhan was especially interested in whether engagement with BRICS countries could reverse underinvestment in infrastructure in sub-Saharan Africa given the decades of effort to push the WBG to focus on productivity enhancing infrastructure in this sub-region. To this end he actively pursued the idea of a BRICS Development Bank, and it would be fair to say that he did more to ensure that agreement was reached on this than any other South African leader, not least because Treasury itself saw limited need to extend South Africa's membership to new development banks, especially when considerable capital was payable upfront.[22]

In addition, in the aftermath of the global financial crisis Gordhan also sought out events in Washington that focused on the issue of inclusive growth and the problems of both national and global inequality,[23] identifying it as the central policy question for the 21st century. This is a matter he has routinely returned to in his effort to enrich the policy discussions within South Africa.[24] However, his direct manner and evident impatience with the slow pace of change within the WBG and IMF was distinctly different from Manuel's disarming charm, and at times Gordhan seemed puzzled with respect to why there was no real urgency in Washington to address development needs in sub-Saharan Africa despite years of accumulating promises and pledges. Ignoring the agenda for the DC in one year and demanding to know of his fellow governors: 'Where is a Marshall Plan for Africa?', a question that did not receive any substantive answer.

Gordhan's most significant contribution was his recognition that South Africa was no longer able to go it alone in global policy discussions. He especially appreciated that the new sub-Saharan African constituency office in the WBG, the third chair made up of three large middle-income African countries represented an implicit challenge to organisational norms within the organisation. In addition, it had the potential to incubate relationships between Angola, Nigeria and South Africa, not only within the WBG itself, but also within sub-Saharan Africa. He routinely referred to a need to 'change the conversation' about what should be done in support of economic development. When Robert Zoellick announced

22 While South Africa signed the articles to join the Asian Infrastructure Investment Bank (AIIB) in 2015, it has made no further effort to pursue membership. The AIIB continues to hold a place for South Africa as a 'prospective founder member'. Membership has grown rapidly since 2013 and there are currently 73 full members of this bank.

23 Brookings Institution, 'Inequality and inclusive growth in Africa: A conversation with South African Finance Minister Pravin Gordhan', 17 April 2013, https://www.brookings.edu/events/inequality-and-inclusive-growth-in-africa-a-conversation-with-south-african-finance-minister-pravin-gordhan/ (accessed 25 August 2019).

24 *702*, '"Converting action into words is a challenge" – Pravin Gordhan (from the WEF)', 19 January 2017, http://www.702.co.za/articles/239770/pravin-gordhan-davos-world-economic-forum (accessed 25 August 2019).

that he would step down as president of the WBG in June 2012 Gordhan decided to test the commitment to a merit-based process in the selection of heads of the IMF and WBG, first introduced in the Monterrey Consensus, and pinned by South Africa in successive G20 communiques. He hosted a meeting of the governors of the new WBG constituency in Pretoria on 23 March 2012, where they agreed to nominate former Nigerian Finance Minister Ngozi Okonjo-Iweala for the position of WBG president.[25] South Africa secured the African Union's support for Okonjo-Iweala's candidature three days later on 26 March 2012,[26] and the next step was BRICS support at the summit in New Delhi on 28 March 2012, a mere two days after that. Despite having arranged for the presence of Okonjo-Iweala to respond directly to questions with respect to her candidacy during the BRICS Summit in India, South Africa was unsuccessful in getting the rest of the BRICS countries behind her nomination, which would likely have led to her being presented as a candidate from the developing world, setting up a real contest and conversation about who or what these institutions are for. This experience revealed a great deal about the BRICS view of the role of both South Africa and sub-Saharan Africa in global economic governance, at what was perhaps the highpoint of BRICS cooperation as a response to G7/G8 leadership of the global economy.

The formal reason provided with respect to why the BRICS countries could not unite behind Okonjo-Iweala was that Brazil had already given its support to a nominee from Latin America. It is however more likely that the US realised the difficulty that the previous week's activities in Pretoria and Addis Ababa was beginning to present for them in securing the appointment of their preferred candidate, Mr Jim Yong Kim. Informal discussions between this author and officials involved at that time, together with key circumstantial evidence, suggests that the US expended significant political capital to weaken BRICS support for Okonjo-Iweala. It is a remarkable co-incidence that Kim took up his position as head of the WBG in July 2012, and in August 2012, Jim Yong Kai, a Chinese national, was appointed as head of the International Finance Corporation (IFC), and in September 2012, Kausik Basu, an Indian national, took up his position as WBG chief economist. Neither of these positions have traditionally been held by nationals from the developing world.

25 National Treasury, 'Media statement by the Angolan minister of planning and the finance ministers of Nigeria and South Africa', 23 March 2012, http://www.treasury.gov.za/comm_media/press/2012/2012032201.pdf (accessed 25 August 2019).

26 AU, 'African Union communiqué on the candidacy of Dr Ngozi Okonjo-Iweala for the post of World Bank president', 26 March 2012, https://au.int/sites/default/files/pressreleases/24820-pr-auc_communique_on_the_candiidacy_of_dr_ngozi_okonjo_iweala_for_the_post_of_wb_presiednt_2_-1.pdf (accessed 26 August 2019).

Furthermore, the Russian Federation was the first developing country[27] to formally publicly endorse Kim as their preferred candidate, making it more difficult to present Okonjo-Iweala as the candidate supported by the developing world bloc or caucus within the WBG governance. European leadership was largely silent, despite the fact that it was clearly evident that Okonjo-Iweala was both better qualified and more suited to the position, as any changes to the status quo would have disrupted the informal agreement between Europe and the US that the WBG is always led by a US national and the IMF is always led by a European.

It is worth noting that Kim's first official trip as WBG president a few months later in September 2012 was to Cote d'Ivoire and South Africa. His objective appears to have been to assess whether these two leading countries in the Francophone and Anglophone African spheres respectively supported him, given the events of the preceding months. He needed to ensure that his first annual meetings as president that October would go without a hitch and there would be no open rebellion from sub-Saharan Africa which would have been given considerable attention in news media undermining his authority and legitimacy.[28] Kim actively courted Gordhan and in his closing press conference on this trip he stressed that:[29]

> I'm here on my very first trip abroad as President of the World Bank because of my enormous respect for this country, for its people, and out of a realization that South Africa's success is important for the region, for the continent, and for the world. South Africa is 40 percent of the African economy. But most importantly, the government that is committed to both social inclusion and growth is leading the way and providing us another example of what we think needs to happen in the world.

Gordhan's comments at the same event suggest that he had decided to work with the new leadership, believing that he could exercise some influence over President Kim:[30]

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27 Country classification is complex and there is a debate about whether Russia should be considered as part of this category. Irrespective of judgements about Russia's industrial development, within the World Bank Group, Russia continues to be clustered and classified as a developing country and is a member of these internal caucus structures.

28 Wroughton L, 'Optimism is the antidote, says new World Bank chief', *Reuters*, 13 September 2012, https://www.reuters.com/article/us-worldbank-kim/optimism-is-the-antidote-says-new-world-bank-chief-idUSBRE88C00920120913 (accessed 30 August 2019).

29 World Bank, 'Press conference with WBG President Jim Yong Kim, S.African Finance Minister Pravin Gordhan, and WB VP for Africa Makhtar Diop', 6 September 2012, https://www.worldbank.org/en/news/speech/2012/09/06/press-conference-wbg-president-jim-yong-kim-safrican-finance-minister-pravin-gordhan-wb-vp-africa-makhtar-diop (accessed 19 March 2020).

30 *Ibid*.

> We expect that the World Bank Group's bold, and he would, I'm sure, frankly put it, activist leadership – and that's one common ground we have between us, we both are quite happy being described as activists – will introduce a new era in the World Bank's operation, which will ensure that the formidable capabilities, knowledge and expertise, apart from the management that the World Bank has, is made available to middle-income countries and, indeed, others that require their assistance in a way in which each of the countries of the world can say that we are developing more effective systems, we are focusing on ensuring that our economies grow but they grow in a way in which social justice is increasingly at the center of it, and that they grow in a way in which we solve the problems of poverty and inequality in our society as well.

However, it is worth noting that during his term as WBG president, Kim was not an especially regular visitor to sub-Saharan Africa, and WBG governors from sub-Saharan Africa, including South Africa, struggled to meet with him bilaterally during the biannual meetings in Washington, with this responsibility delegated to his more junior staff. When Kim resigned his position as president somewhat abruptly in January 2019, the US was the only country to nominate a candidate for the presidency of the WBG as most shareholders recognised that if US tolerance for a change to the long-established practice of US leadership of the WBG under President Obama was low, under President Trump's leadership it would be non-existent.[31]

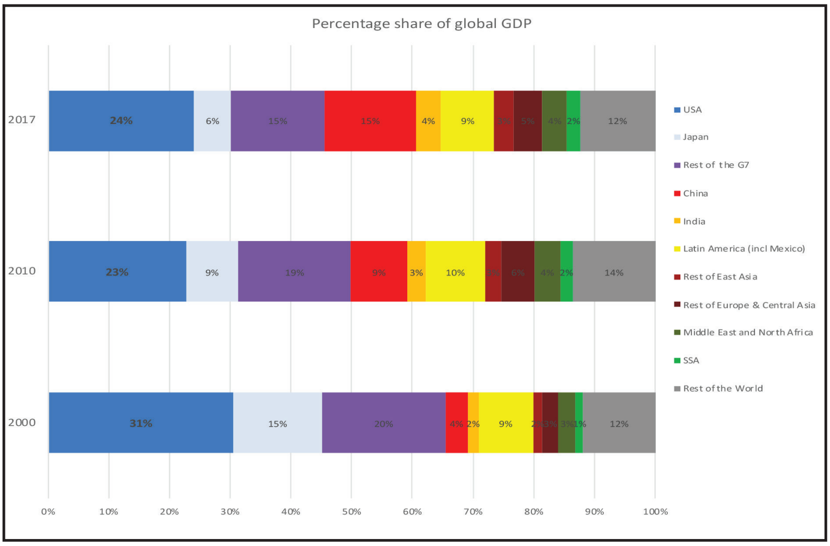
Gordhan's challenge was not the first time that South Africa sought to shift the implicit understanding that an American and a European would always head the WBG and IMF respectively. When Michael Camdessus, the French national who served as head of the IMF from January 1987 to February 2000, resigned as head of the IMF, the German government proposed Deputy Finance Minister Koch Weser for the position. Manuel mobilised support from several developing countries to nominate Zambian born deputy managing director of the IMF, Stanley Fisher, for the position, while Japan proposed Eisuke Sakakibara. However, the US indicated to Germany that they could not support Koch Weser and he was withdrawn and replaced with Horst Kohler, then president of the European Bank for Reconstruction and Development (EBRD). With both US and EU

31 President Donald Trump stated that he had considered nominating his daughter, Ivanka Trump, for the position of World Bank Group president, but was concerned that he would be accused of nepotism and so did not. Wagner J, '"She's very good with numbers": Trump says he considered his daughter Ivanka to lead the World Bank', *The Washington Post*, 12 April 2019, https://www.washingtonpost.com/politics/shes-very-good-with-numbers-trump-says-he-considered-his-daughter-ivanka-to-lead-the-world-bank/2019/04/12/74302270-5d0d-11e9-9625-01d48d50ef75_story.html (accessed 29 August 2019).

support for this candidate, the Fisher and Sakakibara nominations were withdrawn.

South Africa has since played a much-reduced role in efforts to reform the IMF for reasons that include the fact that the governance arrangements within the IMF are driven almost entirely by the relative economic size of member countries. This is because the IMF is effectively a credit union where member countries deposit currency from which they can draw the currencies of other countries, if they face problems in managing their balance of payments. The amount they need to provide and can draw down from this shared pool of resources is in large part a function of size. It is referred to as a country's 'quota', and the size of quota largely determines the governance arrangements and voting power. There are routine reviews of IMF quota to assess whether levels available to countries are adequate in the event of a financial shock, and whether changes in relative economic size suggest the need for shifts in quota. By 2009, the declining share of G7 countries in global GDP, the remarkable expansion of China's share and steady growth in the relative share of India and Latin America in total global output suggested the need for a review of IMF quotas (figure 1). The political context for this was provided by the urgent need to restore confidence in global capital markets, and for the IMF to remain relevant and central to the response through the resources and political support that it could pull together to respond to financial shocks. The G20 group of countries emerged during the global financial crisis to become the new forum for discussion of issues of global economic cooperation. Among the confidence measures given priority by the G20 was the assurance that IMF surveillance would be more even-handed, paying more equal attention to behaviour in the financial sectors of all member economies. Delivering this objective required a more convincingly 'even-handed' governance structure for the IMF.

Figure 1: Changes in the percentage share of global GDP between 2000, 2010 and 2017



Source: World Development Indicators

To this end, in 2010, G20 member countries agreed to double IMF quotas from about US$350 billion to US$750 billion and shift more than 6% of quota shares from over-represented to under-represented member countries. This was hailed as a very positive step in the reform of the Bretton Woods Institutions; however, it took the United States almost five years to approve the agreement, raising questions about their willingness to share decision-making on issues of global economic governance with larger developing countries, particularly China.[32] The agreement was however finally ratified in 2015. There has since been a significant adjustment in voting power in favour of developing countries in the quota, voting power and relative rankings at the IMF, with concomitant implications for the relative power of constituencies. Table 2 illustrates the impact of the 2010 reform on the hierarchy of large economies in IMF voting power, with a shift in status in favour of the BRIC countries and Saudi Arabia and Canada making room for new entrants, India and Brazil.

32 Any change in IMF quota requires an 85% weighted majority vote of the members. As the US has 16.5% of the total voting power, it can veto any increase of any member's IMF quota.

Table 2: Shifts in the top ten largest holders of voting power in the IMF as a result of the 2010 quota reforms implemented in 2015

RANK		pre 2010		post 2010
1	US	16.75	US	16.52
2	Japan	6.23	Japan	6.15
3	Germany	5.81	China	6.09
4	France	4.29	Germany	5.42
5	UK	4.29	France	4.03
6	China	3.81	UK	4.03
7	Italy	3.16	Italy	3.02
8	Saudi Arabia	2.80	India	2.64
9	Canada	2.26	Russia	2.68
10	Russia	2.39	Brazil	2.22

Source: www.imf.org

It is worth noting that likely future discussion of shifts of quota will be characterised by tensions with respect to the relative standing of Japan and China. France and the UK insist on parity in voting power for political reasons, and it is possible that Japan may set a similar relative constraint on China's voting power.

The current configuration of constituencies and their voting power at the 24-member Board of Directors of the IMF are provided here in Table 3.

Table 3: The current configuration of IMF constituencies

IMF Constituencies (countries with larger % of shares in bold)	Voting power (%)
US	16.52
Japan	6.15
China	6.09
Netherlands, **Belgium**, Armenia, Bosnia & Herzegovina, Bulgaria, Croatia, Cyprus, Georgia, Israel, Luxembourg, Macedonia, Moldova, Montenegro, Ukraine	5.43
Germany	5.42
Spain, **Mexico**, Colombia, Costa Rica, El Salvador, Guatemala, Honduras, Venezuela	5.31
Indonesia, **Malaysia**, Brunei Darussalam, Cambodia, Fiji, Indonesia, Lao, Myanmar, Nepal	4.34

Italy, Albania, Greece, Malta, Portugal, San Marino	4.13
France	4.03
UK	4.03
South Korea, **Australia**, Kiribati, Marshall Islands, Micronesia, Mongolia, New Zealand, Palau, Papua New Guinea, Samoa, Seychelles, Solomon Islands, Tuvalu, Vanuatu	3.76
Canada, Antigua & Barbuda, Bahamas, Barbados, Belize, Dominica, Grenada, Ireland, Jamaica, St. Kitts & Nevis, St. Lucia, St. Vincent & the Grenadines	3.38
Sweden, **Denmark**, **Norway**, Estonia, Finland, Iceland, Latvia, Lithuania	3.29
Austria, **Turkey**, Belarus, Czech Republic, Hungary, Kosovo, Slovak Republic, Slovenia	3.23
Brazil, Cape Verde, Dominican Republic, Ecuador, Guyana, Haiti, Nicaragua, Panama, Suriname, Timor-Leste, Trinidad & Tobago	3.07
India, Bangladesh, Bhutan, Sri Lanka	3.05
South Africa, **Nigeria**, Angola, Botswana, Burundi, Eritrea, Ethiopia, Gambia, Kenya, Lesotho, Liberia, Malawi, Mozambique, Namibia, South Sudan, Sudan, Swaziland, Tanzania, Uganda, Zambia, Zimbabwe	2.97
Switzerland, Azerbaijan, Kazakhstan, Kyrgyz Republic, Poland, Serbia, Tajikistan, Turkmenistan	2.89
Russia, Syria	2.68
Iran, **Algeria**, Afghanistan, Ghana, Morocco, Pakistan, Tunisia	2.54
Kuwait, **Iraq**, Bahrain, Egypt, Iraq, Lebanon, Libya, Maldives, Oman, Qatar, UAE, Yemen	2.53
Saudi Arabia	2.02
DRC, Cote d'Ivoire, Benin, Burkina Faso, Cameroon, CAR, Chad, Comoros, Congo, Republic of Djibouti, Equatorial Guinea, Gabon, Mali, Mauritania, Mauritius, Niger, Rwanda, São Tomé & Príncipe, Senegal, Togo	1.62
Argentina, Bolivia, Chile, Paraguay, Peru, Uruguay	1.59

Source: www.imf.org

The shift in IMF quota at the 2010 review has had negative implications for South Africa's voice in the IMF. Low-income sub-Saharan African countries benefit from a political provision that ensures they have a minimum amount of IMF votes, avoiding their being effectively disengaged as member countries. However, no similar arrangement exists for middle-income countries. As South Africa's relative share of the global economy has fallen, its IMF quota share and voting power has also been declining.

Not only does this limit the voice of South Africa within this institution but the net effect is to reduce the voice of South Africa within the Anglophone constituency office. In addition, South Africa has garnered little support for a measure to similarly protect African middle-income countries as a special provision because key groups, particularly the BRIC, do not support it. Once such exceptions are created, they believe that reasons will be found for other countries to benefit from similar arrangements, minimising their reward for their growth performance. There is also little to no support from BRIC or other constituency groups for a third chair for sub-Saharan Africa at the Board of the IMF.

A quota review is currently underway. Despite the expectations of G20 leaders it was not concluded in 2019.[33] Some insight into the views of the US on this issue can be obtained from this statement by the then US Treasury Undersecretary for International Affairs, David Malpass, who told the US House Financial Services Subcommittee that:[34]

> We will be seeking a constructive size for IMF resources that contributes fully to the stability of the international financial system but recognizes that the IMF is just one part of the global financial system and its various support mechanisms. We are opposed to changes in quotas given that the IMF has ample resources to achieve its mission, countries have considerable alternative resources to draw upon in the event of a crisis, and the post-crisis financial reforms have helped strengthen the overall resiliency of the international monetary system.

Japanese media have reported on the risk that China might 'overtake' Japan at the IMF, noting however that an increase in IMF funding is unlikely to be supported by the US under the current US administration so this risk will effectively be postponed until there is a change in attitude in the US.[35] Despite its limited voice within the IMF day-to-day, at a political level, should another financial crisis trigger the need for 'more financial firepower' for the IMF or should other member countries push for more IMF financing, South Africa could play a major role in the outcome of any negotiations. In January 2018, the IMF selected South Africa's Central Bank Governor, Lesetja Kganyago, to chair the IMFC, which, as was the case of the DC for Manuel, provides an opportunity to broker

33 *The Japan Times*, 'Full text of the G20 Osaka leaders' declaration', 29 June 2019, https://www.japantimes.co.jp/news/2019/06/29/national/full-text-g20-osaka-leaders-declaration/#.XUrncJNKjVo (accessed 20 October 2019).

34 US Department of the Treasury, 'Statement of Under Secretary David Malpass Before the US House Financial Services Subcommittee on Monetary Policy and Trade', 12 December 2018, https://home.treasury.gov/index.php/news/press-releases/sm572 (accessed 18 March 2020).

35 Ishibashi M, 'China would rank second in IMF under funding proposal', *Nikkei Asian Review*, 14 October 2017, https://asia.nikkei.com/Economy/China-would-rank-second-in-IMF-under-funding-proposal (accessed 20 October 2019).

interests and outcomes, and stress the importance of increased voice and participation of sub-Saharan Africa for the legitimacy of the IMF, an issue that the IMF is increasingly responsive to.

Pained by its experiences in the 1997 East Asian financial crisis, South Korea has led much of the discussion on alternative financial safety nets within the G20. At the same time, central banks around the world have increasingly entered into a multitude of bilateral currency swap agreements, and many countries have pursued regional currency pooling arrangements like the Chiang-Mai Initiative.[36] The BRICS countries succeeded in agreeing a BRICS Contingent Reserve Arrangement (CRA) and BRICS central banks have pooled US$100 billion that is available to BRICS members in the event of a capital market shock. These are however very difficult to replicate in sub-Saharan Africa, given the absence of surpluses and reserves.[37] These arrangements represent challenges to the IMF's hegemony and have contributed to a relatively rapid evolution in its response to questions of its legitimacy. There is now an increased tendency for the IMF to pursue and promote policy ideas that were not historically within its purview, such as its work on income inequality and its implications for economic growth.[38]

5 Looking ahead

The 21st century began with a pledge to achieve the Millennium Development Goals, soon followed by the promise of improved multilateral economic and financial cooperation to support development, captured in the Monterrey Consensus. The first decade was characterised by growth, an increase in ODA and significant debt relief for many countries, while trade and development were explicitly linked in the Doha Development Round. This triggered considerable optimism that reform of institutions of global economic governance had made real progress. Furthermore, key figures in reform efforts continued to both subscribe to and promote the norms and principles of liberal internationalism that underpinned the spirit of Bretton Woods, reminding the US that its credibility is at the

36 A series of bilateral swap arrangements agreed in the aftermath of the 1997 Asian financial crisis. Members include the Association of Southeast Asian Nations (ASEAN), the People's Republic of China (including Hong Kong), Japan, and South Korea. The countries want to limit future reliance on the IMF, as they were discontent with both the IMF's analysis of the drivers of the Asian financial crisis and the IMF's recommended remedies. This currency pool is currently $240 billion.

37 AU leaders approved the treaty to establish an African Monetary Fund (AMF) in 2014, but not enough countries have ratified the treaty and it is not effective.

38 IMF (International Monetary Fund), 'IMF's work on income inequality', https://www.imf.org/external/np/fad/inequality/ (accessed 30 August 2019).

heart of its ability to anchor the system. For example, in her response to a question of why the US should support her over Mr Kim, Okonjo-Iweala said this:[39]

> The United States signed on to an open, merit-based process when it endorsed a 2008 G-20 statement on leadership selection at the international financial institutions. And such an approach is in-line with American values. These are the values Americans cherish. They cherish competition. They cherish merit. They cherish the best. And I don't know why they would not cherish this in an institution of global significance sitting in their capital. America has been a leader in so many places and so many things. The world is asking the U.S. to lead on this. Because if the United States does not lead by staying true to its values of transparency, openness and merit, others will not lead.

However, current sentiment in the core economies of the Bretton Woods System is very different from what prevailed at the beginning of the 21st century. The failure *to share* economic gains at home has led to a desire by many to turn away from the rest of the world. This is a sentiment exploited by the current US and UK leadership, who encourage an 'othering' of anyone who falls outside the core characteristics and attributes they ascribe to their base of political support. Many of their supporters have experienced or view liberal internationalism or globalisation as something that has resulted in the export of investment and jobs, while at the same time importing political tensions in the form of refugees and migrants. This, together with growing inequality, as well as the income and wellbeing effects of austerity policies has contributed to hostility and distrust of both politics and politicians, and of the systems of global economic cooperation that are perceived as having framed these outcomes. As a result, there is a growing unwillingness by leadership in these 'core' economies to continue to support these institutions. There is also a steady drift towards protectionism, with China explicitly accusing the US of upending the status quo.[40] A rise in populism, nationalism and authoritarianism across the world is indicative of a widespread retreat from liberalism and globalisation, with implications for South Africa in the years ahead.

With the vision of the global economy inherent in and promoted by proponents of the Bretton Woods System under pressure, it is tempting

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39 Center for Global Development, 'The Center for Global Development and The Washington Post present: A World Bank President Candidate Event: Ngozi Okonjo-Iweala', 9 March 2012, https://www.cgdev.org/media/center-global-development-and-washington-post-present-world-bank-president-candidate-event (accessed 30 August 2019).

40 Heavey S, Chen Y & D Stanway, 'Trump dismisses fears of long-lasting trade war; China sees severe global impact', *Reuters*, 6 August 2019, https://www.reuters.com/article/us-usa-trade-china/u-s-destroying-international-order-china-media-says-after-currency-manipulator-branding-idUSKCN1UW04S (accessed 5 September 2019).

to conclude that the best course of action for a country like South Africa would be a retreat from this sphere in frustration and disgust, given the slow pace of change, declaring that the liberal ideas that underpinned early efforts at global cooperation have become redundant and irrelevant (and riddled with evidence of gross hypocrisy). This is a path preferred by critics who generally dislike incrementalism and argue that only a complete revolution will do. However, the South African people do not deserve an ideologically driven petulance in their leaders. Instead they need leaders with a positive and clear-eyed pragmatism and support for the national objectives of a more sustainable growth path and a more inclusive economy.

The Treasury's recent proposal for economic transformation, inclusive growth, and competitiveness: *Towards an Economic Strategy for South Africa* identifies 'promoting export competitiveness and harnessing regional growth opportunities' as a key building block. It is not yet clear how international and regional economic policy is being geared to deliver this. It does however suggest that there is an increased understanding that South Africa should take advantage of demand for South African goods and services by economies in the sub-region to support attainment of domestic growth and development objectives. In a dynamic and unpredictable political and economic world, it is unrealistic to fix clear stages and milestones in pursuing specific outcomes. Progress will require a host of activities as well as equally adaptive and dynamic policy responses including through the institutions of global economic governance.

5.1 Remain engaged and continue to learn

South Africa should be proud of the hard-won gains it has made in advancing reform of institutions of global economic governance and continue to signal its intention to provide leadership and ideas.

The real material considerations include the fact that the WBG has recently been very significantly recapitalised, the large shareholders have increasingly made the provision of this additional capital conditional on investment in countries with fewer alternative external financial resources, with resources increasingly earmarked for investment in sub-Saharan Africa. Both the private and public sector entities of the WBG have additional finance, if these resources are spent well, improving productivity through increased infrastructure and access to services and expanding the role of the private sector in these economies, there may be direct investment and market access opportunities for South African business, as well as indirect spillovers such as increased economic dynamism and improved incomes and wellbeing of people in the sub-region. If spent badly, it is another debt crisis in the making. South Africa should seek to steer WBG expenditure priorities, encouraging interest and partnerships in key areas of domestic interest and lead in regional engagement on what needs to be done to address specific bottlenecks to regional trade and investment.

In addition, use of WBG 'resources' by South Africa need not necessarily only be financial, i.e. borrowing. Like Japan and Korea before them, China does not view their WBG borrowing programme as necessary for additional finance or even technical expertise, but rather as providing an opportunity to train nationals on project management and accountability and to support its public service, absorbing international best practice in this respect. In addition, China is increasingly utilising its observations of WBG policies and practices in the development of similar policies and practices in the Asian Infrastructure Investment Bank (AIIB) and the New Development Bank (NDB).

In the event of a request for emergency financing, especially IMF financing, about which there is increased conjecture,[41] South Africa needs to be attentive to how the 'game' of multilateral financing is played ensuring that it remains in control of the policy-making space and that energy is invested in building support among key domestic stakeholders for change. The experience of other middle-income countries can be very informative with respect to how to set the terms of such engagement.

Finally, South Africa needs a sustained presence and engagement with the Bretton Woods Institutions through the constituency offices in these institutions and the biannual meetings of governors. In addition, the international debate on development finance in IDA negotiations and Paris Club discussions and their related policy and caucus structures, provide important opportunities to raise the visibility of able and competent representatives that can instil international confidence in South Africa's national capabilities. These opportunities are invaluable because the moods and trends in international finance are driven by a small network of both public and private banks, and key private sector investors and ratings agencies who are regular participants at multilateral meetings, and who often use discussions at the margins of the biannual meetings of the WBG and IMF to inform their assessment of country risk and national capabilities.

41 *Reuters*, 'IMF's Lagarde says South Africa has not requested financial support', 19 December 2018, https://www.reuters.com/article/us-safrica-economy-imf/imfs-lagarde-says-south-africa-has-not-requested-financial-support-idUSKBN1OI1TF (accessed 5 September 2019).

5.2 Innovate in driving a good 'neighbourhood' and a regional 'ethos'

President Ramaphosa has made reviving the economy a top priority and has sought $100 billion of new investments from foreign and domestic firms. However, long-term international investment tends to be market seeking, and new long-term investors are more likely to be drawn to potentially prosperous and thriving regional markets, or at least markets that are both large and relatively uncomplicated. Nigeria has the largest market in Africa with a population of more than 180 million people, while the increasingly dynamic East African Community has about 146 million potential consumers. In contrast, South Africa has a population of 58 million people, while SADC's market size is approximately 260 million. With this in mind, the nature and content of South Africa's regional political and economic relations and the state of specific neighbouring economies must be a medium-term priority in pursuit of presenting a positive *regional outlook*. The fact that current issues in Zimbabwe and Mozambique are foremost on the minds of key external observers is evidenced by Madame Lagarde's press conference in South Africa during her visit in December 2018.[42] However, there was little public comment in response from South Africa either then or since.

Zimbabwe has been pursuing the normalisation of its relationships with its multilateral creditors, the WBG and African Development Bank, since 2015 in order to help improve financial stability and increase investment. G7 countries have acted in previous debt relief efforts, and it is likely that similar arrangements could be made for Zimbabwe if there were enough political support for this effort. Advocating on behalf of Zimbabwe for such action in multilateral forums is largely costless for South Africa, while NOT doing so provides an opportunity for large countries to ignore the need for resolution of Zimbabwe's ever deepening financing crisis, already placing pressure, including fiscal pressure, on South Africa's domestic resources. In addition, the absence of engagement on Zimbabwe contributes to missed opportunities with respect to 'promoting export competitiveness and harnessing regional growth opportunities'.[43] Officials from G7 countries have stressed to this author that if South Africa, Zimbabwe's powerful and immediate neighbour, a country that has been listened to in the past, leads a constituency office with Nigeria on

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42 *Ibid*.

43 A core element of the economic plan presented by the National Treasury in 2019 and published at National Treasury, 'Economic Transformation, Inclusive Growth and Competitiveness: Towards an Economic Strategy for South Africa', http://www.treasury.gov.za/comm_media/press/2019/Towards%20an%20Economic%20Strategy%20for%20SA.pdf (accessed 20 October 2019).

the Board of the WBG and has the privilege of G20 membership appears unconcerned about resolution of Zimbabwe's debt, then why should it be a concern of countries much further away. In addition, a major stumbling block for many developed country bilateral creditors would be their concerns with respect to China's lending to Zimbabwe, and it should be expected that they would raise China's willingness to participate in the Paris Club processes to resolve bilateral debt as a precondition for their participation. Were South Africa to engage China and Paris Club members on this question, it would demonstrate the potential of South Africa to serve as a possible bridge between G7 and BRICS countries in sub-Saharan Africa's interest. This may be a vital role for South Africa in the future as the fortunes of this sub-region and the partnerships it makes continue to evolve rapidly.

The persistent climate shocks that Mozambique has experienced since 2000 has revealed the profound lack of resilience resulting from a lack of investment in rural areas in that country, amplified by the government's policy and investment focus on extractive mega-projects. Mozambique's current financial crisis arises from a hidden debt scandal, where government loans were concealed from Mozambique's parliament and international donors. The resulting breakdown and the investment impasse is not in South Africa's interest. In addition, while South Africa is much wealthier with comparably vast domestic resources, both countries face a similar structural challenge – how to reduce reliance on mining and its upstream and downstream sectors and encourage greater participation in a more inclusive economy. The political and economic history of South Africa and Mozambique suggest that these countries should be in much closer partnership than they appear to be. Given that most of these issues are currently discussed in engagements at the margins of the WBG and IMF meetings, there should be more robust bilateral engagement between South Africa and Mozambique about how to present the sub-region at these meetings. Indeed, without this, it is difficult to see what would inform the investment priorities set by the WBG.

A positive development in the neighbourhood that South African leaders have yet to capitalise on is the change in Angola. South Africa could signal some common cause with President João Lourenço's very public war on corruption in Angola, as it would highlight similar struggles against 'state capture' and systems of patronage that increase economic uncertainty and constrain development progress. This would make it more difficult to suggest that governance changes are an external 'plot' by outside forces, but rather an appropriate African response to problems of patronage where these emerge. A potential area for collaboration in institutions of global economic governance at the current juncture is in lobbying for more action on illicit financial flows. The need for transparency and repatriation as substantive multilateral measures are necessary to support any efforts by the Angolan Central Bank to pursue the flow from Angola into secrecy jurisdictions, a matter which Lourenço has set as a priority. This is an area where South African leadership has already played a global advocacy role through former President Thabo Mbeki,[44] but South Africa could demonstrate consistency and deliberate pursuit of specific action in support of Angola's current efforts within the institutions of global economic governance.

5.3 Work in teams – and display empathy for the needs and priorities of your teammates

South Africa can no longer 'go it alone' and needs to work harder to build South Africa's profile as a constructive member of teams with shared interests. Experience in recent years has revealed that countries in the sub-region can be powerful allies to South Africa in a way that is not (yet) available to China or the US. This is a tool in South Africa's international relations, both political and economic, that has been underutilised. South Africa needs to routinely signal that the perception that it is a heavyweight 'big brother' is misplaced and that it has a more sophisticated understanding of how other sub-Saharan African countries manage their relations within the global economic governance system. It is especially critical for South Africa to recognise that, for many, the WBG and IMF remain the primary source of their external finance and it needs to partner with these countries, while at the same time understanding their specific needs and constraints, in pursuing shared goals within these institutions.

5.4 Be coherent and consistent – and don't do stupid shit[45]

'Fleet of foot' strategising and responsiveness to opportunities as they arise such as those described here require strong political support and clear mandates to act provided by the highest level of government. It is unlikely to

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44 Mbeki led a 10-member high-level panel into illicit financial flows supported by the UN Economic Commission for Africa (ECA). See Tafirenyika M, 'Illicit financial flows from Africa: Track it, stop it, get it', *Africa Renewal*, December 2013, https://www.un.org/africarenewal/magazine/december-2013/illicit-financial-flows-africa-track-it-stop-it-get-it, date accessed 30 October 2019.

45 It has been widely reported that the core principle driving President Barack Obama's approach to foreign policy during his presidency was 'Don't do stupid ****' as you navigate the uncertainty of modern diplomacy. See Rothkopf D, 'Obama's "Don't do stupid shit" foreign policy', *Foreign Policy*, 4 June 2014, https://foreignpolicy.com/2014/06/04/obamas-dont-do-stupid-shit-foreign-policy/ (accessed 30 October 2019).

easily emerge from a fragmented system of international engagement that includes many government departments following different international processes and delivering on diverse mandates throughout the networked system of global economic governance.

Ensuring coherence and consistency, both of which are critical to credibility and effectiveness, requires improved alignment of the roles of the National Treasury with respect to the WBG and IMF, the Department of International Relations and Cooperation at the UN, the Department of Trade and Industry at the WTO and the Department of Environmental Affairs in UNFCCC processes. Since the G20 Heads of State process became part of the global policy making calendar, the presidency has an unprecedented perspective on international economic relations. This should provide an annual focal point for the setting of a few clear objectives in a given policy cycle, informed by what is on the international policy agenda in that cycle, and what South Africa would like to see tabled in future cycles. However, setting a high-level strategy is not enough to ensure implementation and delivery. As is the case in domestic policy making, bureaucrats and officials representing South Africa in these forums need to be trusted, empowered and accountable for what they do or do not deliver.

Finally, South Africa cannot take for granted that a place will always be kept for it at international policy tables. There is quite literally increased demand for access to 'chairs' by especially other emerging economies, including in our sub-region. To be a 'no show', say nothing, be visibly underprepared, or leave key positions vacant, damages South Africa's reputation as a serious and engaged country. The future is likely to be characterised by a 'use it or lose it' attitude of other nation states. South Africa must both occupy the space and demonstrate that it deserves both its seat at the table and reputation as a constructive agent for change.