

COOPERATION WITH AFRICA

What priorities for G20 - Africa cooperation? Synthesizing T20 Africa recommendations

T20 Africa Standing Group

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Abstract

The priorities for G20 cooperation with Africa presented in this policy brief are based on several policy briefs of the T20 Africa Standing Group. They address key areas of cooperation between the G20, its participating states and African states and regional organizations. In particular, the recommendations focus on structural economic transformation, the Compact with Africa, international tax cooperation, health, education and the political environment of G20-Africa cooperation. Recommendations focus on thematic priorities for Africa-G20 cooperation as well as issues related to the governance of the partnership.

Challenge

Strong African voices and participation in G20 mechanisms are essential for a successful G20. The G20 countries' policies have a direct effect on sustainable development in Africa and in the world. For example climate change has been mainly caused in G20 economies and financial regulation that emerged after the global financial crisis in 2008 structures trade and the financial markets. At the same time, developments on the African continent have implications for G20 countries. Whether African governments and societies will manage to promote sustainable urbanisation and structural transformation to create jobs for the rapidly growing African youth will have direct consequences for G20 countries.

Yet, African countries and policies continue to be relatively weakly represented in the G20, even though country-to-continent dialogue formats, such as the Forum on China-Africa Cooperation (FOCAC) and numerous other initiatives organised by India, the US, Japan, Turkey, South Korea and other G20 members have flourished. South Africa is the only African G20 member; the African Union (AU) and the New Partnerships for Africa's Development (NEPAD) have observer status.

Intensifying cooperation between the G20 and their African partners is necessary for sustainable development of the continent and the globe. Since its elevation to summit level, the G20 agenda broadened from a focus on managing the fallout from the global financial crisis in 2008 and creating a more effective regulatory environment to sustainable development, including health issues and education. Interest in cooperation with Africa increased over the years and particularly with the Chinese and German G20 Presidencies in 2016 and 2017. However, G20 - Africa cooperation remains limited to a few specific initiatives.

This policy brief synthesizes key recommendations from the T20 Africa Standing Group, developed within the thematic working groups, elaborated in policy briefs, which were discussed during the T20 Africa's Annual Meeting

that was held in Addis Ababa from 16 to 18 of April, 2018. We will focus on thematic recommendations related to areas where strengthening the G20 and Africa cooperation is important as well as recommendations on how the governance of G20 - Africa cooperation could be improved. You can find a list with the more detailed thematic policy briefs in the annex.

Proposal

1. Structural transformation during the 4th industrial revolution and Africa-G20 cooperation

Unemployment and underemployment are among the key development challenges confronting Africa. They manifest in deepening inequality and poverty. They tend to disproportionately impact youth and women. In the absence of far-reaching reforms and transformations of African economies, these challenges will be compounded by the 4th industrial revolution, which is expected to "disrupt" markets globally, particularly labour. However, there is a window of opportunity that African countries, in partnership with the G20 countries, can and should exploit.

Set global system for debt management on the agenda to resolve the looming debt crisis: A global initiative to manage debts is a very urgent area of Africa-G20 cooperation. Public debt has been rising in sub-Saharan Africa, and even accelerating since 2014. On average, the public debt/GDP stood at 42 percent in 2016 (median 51 percent; IMF 2017). This raises the spectre of the earlier sub-Saharan African debt crisis and the resulting HIPC initiative for debt relief in 2000. Although the positive of the sharp indebtedness is that it finances development investment needs (e.g. infrastructure) there is continuing tension between debt sustainability and large scale investment needs.

The major differences to HIPC initiative now are that (1) the credit base has become more diffuse involving additional external players (e.g. China, Turkey) and private sector creditors both internally and externally, making it difficult to construct coordinated resolution mechanisms. (2) The debt crisis also involves countries, which have been economically successful since the debt crisis in the beginning of the 2000s and which are reform partners of the Compact with Africa such as as Ghana. A debt crisis can undermine the economic successes of these countries during the last years.

The G20 is the right forum to set the agenda for global debt management and act on it because it is composed of "old and new" investors in Africa and it has an interest in making the Compact with Africa a success. Managing the liquidity crisis arising from the mismatch between the debt service and the periodic revenues from projects requires technical assistance and

coordination among sub-Saharan African countries, G20, international financial institutions, and key private sector creditors.

Promote innovation and entrepreneurship in Africa. African governments should continue to create a more enabling environment for innovation and productive entrepreneurship. There are emerging and home-grown private sector led innovations and entrepreneurship in various sectors, including agriculture and finance. Such initiatives should be scaled up and not stifled by inordinate costs of doing business. This is an area calling for private-public partnership. Partnership from the G20 countries is necessary but they must be aligned with national programmes rather than setting up donor-driven programmes in parallel to existing institutions and initiatives.

The Compact with Africa (CwA) is a good starting point for that purpose. It still needs to identify better sectors and environments for innovation. Accompanying the CwA with twinning arrangements for research and training institutes, knowledge transfers and financial and technical support to African research centres can facilitate development of innovations that are appropriate to the African context (e.g., Kenyan M-pesa). G20 countries can also help to scale up "bottom up" innovations developed in Africa. Moreover, there is a need to develop a cadre of entrepreneurs who can leverage the digital economy. G20 support for twinning arrangements is vital for skills development and transfer of technical know-how to Africa. Further, G20 countries should partner with African governments more intensively to support entrepreneurship training in African countries and also provide technical support to domesticate these trainings in local universities and other knowledge institutions.

Enhance opportunities for African countries to influence global standards on exchange of tax information. Countries and territories involved in the exchange of tax information should be open to discuss changes to the system that take into account the capacities and concerns of African and other developing countries. The mandate of the Global Forum is to facilitate the implementation of the existing standards on EOIR and AEOL, but further discussions in consultation with African countries about the issues of tax information sharing must take place. In order to do so, it is important to include African voices in working groups of the finance track instead of tackling issues related to Africa in the Development Working Group only. For instance, representatives of regional bodies and individual countries should be represented in the G20 finance and central bank deputies process. The African Union (AU) should follow up on the Heads of State and Government of the AU's declaration on their commitment to end illicit financial flows from Africa and implement the findings and recommendations of the High-Level Panel. In order to do so, the AU should establish a political platform where tax policy and tax administration issues will be discussed, standards set and recommendations made at the highest level for implementation by governments.

Foster pro-development agricultural policies in G20 and other developed countries. Conditions in the global economic environment permitting, Africa has the potential to feed the entire world, owing to its favourable climatic conditions and its vast potential arable land. Agriculture thus holds huge employment opportunities. However, the global structures of trade are still skewed towards the developed world. There is a need for fairer global agricultural and trade policies. Although a long-standing issue on the global agenda, trade barriers have not been reduced significantly enough. G20 countries should thus make progress in reducing agricultural subsidies and helping to reduce barriers to agricultural exports from developing states, including by providing assistance in tackling phyto-sanitary standards.

2. Addressing political and social context conditions for successful G20 Africa cooperation

Political and social transformation is a necessary condition for achieving financial and economic reforms that foster sustainability. Achieving African economies and the G20's objectives related to financial and economic reforms is therefore not possible without addressing political and societal issues. In particular, G20-Africa cooperation should put more emphasis on crisis prevention, education and health.

Social analysis before investments and "do no harm" when building infrastructure. Peace and stability are necessary conditions for development. Patterns of conflict have been changing in African societies. Conflicts with low levels of violence such as riots, vandalism and violent mass protests over a combination of socio-economic and political issues (e.g. opposition to infrastructure projects or increasing food prices) are on the rise while civil wars are on the decline. They cut across relatively stable African countries such as Nigeria or South Africa and not-so stable countries like Niger or South Sudan. These conflicts pinpoint the deepening nature of structural vulnerabilities, including the failure to meet the socio-economic and political aspirations of citizens. They also show that economic transformation is closely linked to political developments.

First, the G20, including the implementation of the Compact with Africa, must ensure that its investments in infrastructures do no harm. For instance, dam projects regularly cause land displacements to the local populations and disrupt communities causing mass protests (e.g. Renaissance dam in Ethiopia). It is therefore necessary that infrastructure projects and other private investments are based on social impact analyses, which identify potential conflicts, social tensions and root causes of conflict.

Second, low level conflicts can be mitigated through inclusive political institutions, which accommodate different social interests. While African governments must thus commit to increase the inclusiveness of their political institutions, G20 countries can broaden their narrow focus on financial regulations to the wider political context of their investments in Africa (e.g. through social impact analyses). Third, G20 governments, especially the regular G20 Meeting of Foreign Ministers, should support the definition of standards of crisis prevention on the global agenda.

Reform Africa's education and skills training to better equip Africans to partake in the digital economy. There is urgent need to reform and strengthen educational systems in Africa. Reforms should focus on tertiary education, Technical and Vocational Education and Training (TVET), education for girls as well as the quality of education. Tertiary education and TVET both have enormous potential to develop human capital and have been relatively neglected in the past in favor of investment and focus on primary or traditional secondary programs. Support for education is mutually beneficial for G20 countries as well as Africa in direct and indirect ways. G20 countries should urgently partner with tertiary and TVET institutions across Africa to fund scholarships that would support African candidates to attend an African tertiary or TVET institution. Likewise, G20 countries should increase the number of African students given scholarships and visas to study at tertiary and TVET institutions in the G20 countries. G20 countries should partner with African institutions of higher education and TVET on building the capacity of professors and administrators at the schools. As the number of students reaching tertiary or TVET schooling climbs, quality must also increase.

African universities suffer from too little Research and Development (R&D), too few researchers and research publications, and a low a number of patents compared to the rest of world. For African universities to produce the quality of intellectual output that is needed to advance societies and economies on the continent, this must change drastically and quickly. Partnerships with G20 countries and African universities on research and publication (in both African and international journals) should be enhanced. Moreover, G20 countries should support R&D investments by African governments (e.g. through matching grants).

Resist pharmaceutical lobbies to adopt protective measures contradictory to the achievement of SDG 3 and contribute to capacity building in the health sector. The achievement of SDG 3 (ensure healthy lives and well-being), and particularly its targets 3.3 and 3.b, requires the provision of access to affordable essential medicines and medical devices in the context of a globalized regime of intellectual property rights (IPRs). IPRs undermine access to essential medicines in low and middle income countries by increasing the prices of drugs. The TRIPS Agreement has reduced the policy space of developing countries in adopting the IPR policies and institutions best suited to their development, but allows for flexibilities. As its

engagement on pandemics has shown, the G20 can play a key role in supporting African and developing countries in adopting IPR rules that are appropriate to their health needs. The G20 should facilitate access to technical advice and policymaking capacity building in African countries to provide for national legal frameworks conducive to effectively utilising the TRIPS flexibilities for public health purposes. Further, they should encourage countries to use the available legal provisions, as and when necessary, to ensure that medicines are made available at fair and affordable prices to the patients so that the health goals and targets set in the SDGs and the Agenda 2063 are achieved, as per national action plans. G20 should stand behind these efforts and it should be able to withstand the industry lobbying. Finally, G20 cooperation may also provide a way forward with regard to technology transfer and enhancing local production capabilities. G20 countries will have to adopt policies that encourage companies from their countries to set up local manufacturing units in African countries. Brazil has offered an example of this possibility by building an antiretroviral drug factory in Maputo, Mozambique in 2008.

3. Africa's external partners - engaging with the G20

With South Africa as the only African G20 member and the AU's and NEPAD's role as observers, African interests continue to be weakly represented within the G20 debates. However, the thematic recommendations for G20 Africa cooperation developed above can only be substantiated if governance mechanisms for G20 Africa cooperation are also adjusted. It is important for deepening G20-Africa cooperation to continue and successfully implement initiatives of past presidencies such as the Compact with Africa of 2017. In particular, we suggest:

Strengthen African involvement in financial and Sherpa track of the G20: Pan-African organisations and South Africa as the only African G20 member may want to strengthen pro-active engagement with G20 working groups beyond the Development Working Group (DWG). The working groups on climate sustainability, trade and investment, agriculture, energy, employment, tax/finance might be particularly relevant, as G20 policies in these areas have major direct and indirect consequences for African countries. One way of encouraging wider engagement would be for the G20 to make it a standard rule for all G20 working groups to include African representatives. This would have the further effect of widening African participation beyond South Africa and the AU/NEPAD via directly inviting particular African stakeholders, without necessarily having to change G20 membership. Co-opting individual African countries would, however, seem more ad hoc than systematically including pan-African institutions.

Define concrete and actionable priorities based on Africa's Agenda 2063 and its 10-year implementation plan: The AU could publish a yearly list of African key priorities that could feed into G20 discussions. These would not be the kind of long-term transformative goals as seen in Agenda 2063, but - derived from the long-term agenda and the 10-year implementation plan- more concrete, shorter term goals that could be made actionable by one or two G20 presidencies. This would allow the continent to take a pro-active role in shaping G20 discussions, and should be tailored to also inform discussions in the various G20 workstreams and Engagement Groups such as the Think20, Business20, Women20, etc.

Primary engagement with G20 anchored with AU Commission rather than AU Chair: The AU has started a fundamental reform process. The AU's relations with external partners as well as division of labour between AU and RECs are part of this reform debate. Debates are still early and no decisions have been taken. Until these changes have been finalised, we suggest that the primary engagement between the AU and the G20 be anchored with the AU Commission, rather than the AU Chair, as is the current practice. Engagement with the AU Chair is easily disrupted because it changes annually. African countries that are not members of the G20 have little reason to set up substantial departments/divisions within their respective ministries to monitor G20 processes, if they are only chairs of the AU for one year. This disruption is compounded by the G20's own annual change of leadership. More systematic AU-G20 engagement would gain cross-year stability through engagement with the AU Commission under the guidance of and as mandated by the Assembly and Executive Council.

Implement previous G20 initiatives - the Compact with Africa (CwA): Strengthen the role of the private sector in monitoring progress. The CwA is a structured partnership between volunteering African countries and the G20 with the inclusion of key multilateral and bilateral partners and, very importantly, the private sector. It was launched by the German G20 Presidency in March 2017. The success of the CwA will hinge on strong private sector participation. Private investment is at the core of the CwA and crucial for its success. Expanded monitoring can capture "the whole picture of the CwA"; therefore, it is important to include the views of the private sector on successful practices and challenges for implementation. The G20 could integrate the private sector into the monitoring framework of the CwA. Specifically, we propose to regularly survey private sector actors that have engaged in-or are aware of-the CwA to better understand their perception of progress, improvements in policy reforms, and support provided by International Organizations or G20 members. It is furthermore important that views and perceptions of the private investors are taken into account with regard to the actions of all other G20 parties, including the CwA governments, the G20 members, and the IFIs.



What next for T20 Africa?

The T20 Africa Standing Group was established in 2017 to bring together G20 and African country think tanks to work on G20 policy matters together. While the G20 is not an implementing agency, the decisions that emerge from G20 countries have significant influence. It would be desirable to build capacity in the T20 Africa to effectively monitor policy recommendations that emerge from the group and publicly share their status - whether and when they were considered by the G20 and the implementing agencies.

References

This policy brief is summary of the key recommendations of the following policy briefs of the T20 Africa Standing Group. Additional references can be found below.

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