September 2022

MAKING MULTILATERALISM WORK FOR AFRICA

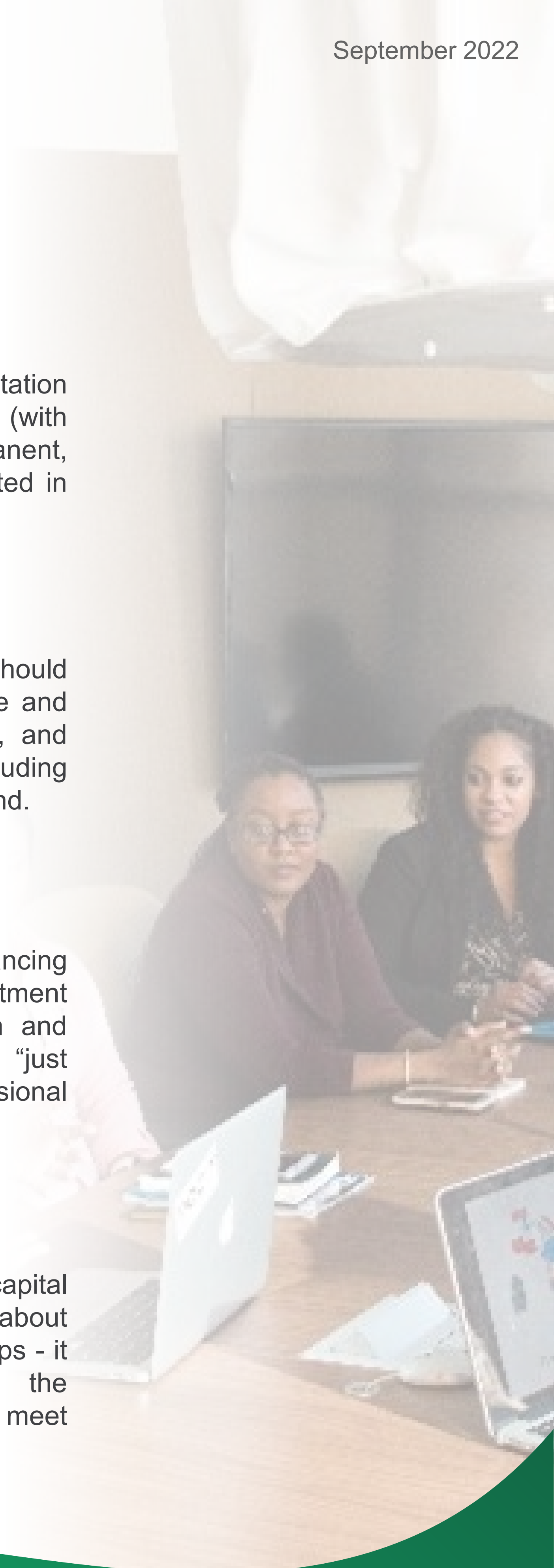
UNGA77 POLICY BRIEF

The Reason for this Policy Brief

This policy brief is intended to support African leaders, governments and policymakers, as well as development practitioners, in delivering clear positions at the UNGA77 meeting to meet Africa's long-term development needs. In this respect, it covers further steps required to increase African decision-making in multilateralism, and overall ensure the continent's progress towards the UN Sustainable Development Goals (SDGs). The content of the policy brief is derived from the continent's robust continental-wide vision to utilise growth for poverty elimination by 2030 to achieve the UN SDGs, as well as Agenda 2063. Using this brief, African leaders will be better equipped to use the opportunity of the UNGA77 to improve the quality of multilateralism - beyond great powers putting aside their political differences – and actively addressing the lack of inclusion in multilateral platforms, raising the level of ambition regarding multilateral solutions, and proposing new approaches across peace and security, development finance and climate solutions.

In this respect, this policy brief is aimed at strengthening Africa's coordination and formation with respect to various foreign policy settings, and therefore Africa's agency and voice in multilateral forums such as the UN.

Four Proposed Key Positions of African leaders for UNGA77



01.

It is crucial to increase African representation in the G20 by making the African Union (with the African Union Commission) a Permanent, full member, just as the EU is represented in the G20.

02.

UN bodies and non-African countries should not work independently within the Peace and Security space – they must work with, and contribute to, African initiatives including regional taskforces and the AU Peace Fund.

03.

The UN's own instruments and other financing for climate action need significant adjustment to scale up to ensure more mitigation and adaptation in Africa, and to go beyond "just transition" including through more concessional finance for regional projects.

04.

Increasing access to essential external capital for post-COVID recovery is not just about short-term debt suspension, relief or swaps - it requires fundamental reform of the international financial system to work to meet borrower's needs, not just creditors.

United Nations

Background - What is UNGA77 aiming to achieve?

In his message to the Aswan Forum for Peace and Sustainable Development in June, UN Secretary-general, Antonio Guterres said "the people of Africa are facing unprecedented and multidimensional crises." Indeed, Africa faces complex and interrelated challenges: the economic crises triggered by COVID-19, food insecurity, terrorism, conflict, as well as the climate crisis. There is already international awareness and multilateral initiatives designed to support African countries - yet they are failing to achieve desired results.

Before the pandemic outbreak, 6 of the 10 fastest growing economies in the world were expected by the IMF to be in Africa . This growth was essential for African countries to combat poverty, with more than 400 million people living in extreme poverty across the continent. However, COVID-19 has exacerbated poverty levels for many African countries, whilst access to essential external finance is becoming increasingly constrained for those who need it most. Alongside this, countries face climate change challenges as well as problematic peace and security missions.

KEY POLICY ISSUE 1

Africa's Multilateral Position - Why the G20 needs the African Union as a member

Background:

The G20 grouping represents over 80% of the global economy. Discussions at the group's annual meeting deeply relate to the challenges the continent faces, yet South Africa is the only African country included in the grouping. The G20 does provide a customary invite to the ASEAN Chair, the African Union (AU) Chair, and the New Partnership for Africa's Development (NEPAD) representative. Whilst this reflects the G20's awareness of the importance of representation of the international community, there is an urgent need to include the AU as a permanent, full member.

ACTION CALL: The expansion of the G20 to G21 with the AU Presidency and Commission as permanent full members

Reasoning:

Including the AU as a permanent, full member in the G20 is the practical solution for African representation, by enabling the continent to react and share their perspectives on global issues – especially finance and economics - which is critical for the promotion of structural solutions that benefit the entire continent. Joining the G20 will increase the momentum for African coordination vis-à-vis economic and financial issues. Coordination was critical and highly beneficial to Africa's COVID-19 response.

The AU is the primary institution in Africa's economic and international governance. With the African Continental Free Trade Area (AfCFTA) forging Africa's 55 economies into a single market, the AU now represents an economic bloc ranked as the 8th largest in the world.

Further, the AU's development masterplan, Agenda 2063, lays out 6 strategic continental frameworks with 15 flagship projects covering agriculture, infrastructure, mining and more, which will transform the continent's sustainable development. Overall, the AU will continue to hold a significant role in Africa's growth.

Moreover, the AU joining the G20 has precedent given that the European Union is represented by the European Commission and European Council. Europe and Africa are two of the most integrated regions in the world, with the EU and the AU bodies fundamentally serving the same purpose of integration and governance. If African representation is to mirror European representation, two seats will be made available – one for the AU Chairperson on a rotating basis and one for the Chairperson of the AU Commission.

Finally, as the only African G20 member, South Africa has the responsibility of representing and advancing the continent's 55 countries at G20 summits. Nevertheless, South Africa has its own priorities and interests, which may not necessarily align with other African countries. Therefore, the AU joining the G20 will allow for more diverse representation of the continent and support South Africa in bringing further African agency and voices to the table.

KEY POLICY ISSUE 2

Peace and Security – Why the UN must work with African-led Regional Security Initiatives

Background:
With over 50,000 troops committed to six peacekeeping operations across the continent, UN peacekeepers are the core of multilateral peace operations in Africa. Yet, three of the six UN peace operations are currently facing a "crisis of consent and legitimacy."

EXAMPLE 1

MONUSCO, Congo. In early August, 36 people, including 4 UN peacekeepers, were killed after protests calling for the expulsion of the UN peacekeeping operation MONUSCO in the DRC. The Congolese government blamed the MONUSCO spokesman for stoking tensions and expelled him from the country. Reports also indicate that Kinshasa is accelerating the withdrawal of UN peacekeepers from Congo, though the conditions that necessitated their deployment are still prevalent.

EXAMPLE 2

MINUSMA, Mali. On July 10th, Mali arrested 49 Ivorian soldiers after they landed at Bamako's airport. The Malian government stated that they lacked supporting documents. The Ivorian government insisted its soldiers were sent to provide backup for MINUSMA as part of a 2019 security support agreement, and that their role within the mission was "well-known to the Malian authorities". Following this, Mali's government stopped rotations of UN peacekeeping troops and ejected the mission's deputy spokesperson. An independent review of MINUSMA cited in the UN Secretary General's 2018 report concluded that only a "key regional political framework" made the mission's goals achievable.

KEY POLICY ISSUE 2

EXAMPLE 3

MINUSCA, Central African Republic. In November, the MINUSCA operation accused government troops of opening fire at its peacekeepers, wounding ten of them. According to MINUSCA, its contingent was unarmed and travelling in a convoy of UN-marked vehicles. MINUSCA reports to the UNSC covering the period June-October recorded 41 violations of the status of forces agreement.

There is deep-seated distrust and a legitimacy problem regarding these missions. Given the political and security context where these missions operate, host governments can be accused of being uncooperative. However, it must be considered whether the processes and procedures that create and renew mandates are complicit in performance problems. For instance, the MINUSCA's mandate renewal happened barely two weeks after CAR troops opened fire at the UN Peacekeeper contingent and it is unclear whether efforts were made to rebuild trust and improve the relationship between MINUSCA, and CAR's government. A different approach to UN support for peace operations in Africa is needed

ACTION CALL 1 : UNSC financial and material support for African regional multilateral peace operations

Reasoning:

The emergence of the Multinational Joint Taskforce in the Lake Chad Basin and the G5 Sahel Force despite MINUSMA, and the initiative to deploy an EAC regional force to succeed MONUSCO, strongly indicate the existence of gaps that large-scale UN multidimensional peacekeeping operations cannot fill and provide insight into the approach preferred by regional governments.

However, the UN's experience, expertise and resources would be vital for the support of these operations, which African leaders can call for at the UNGA77, with this new approach consistent with the growing preference for "African solutions to African problems".

KEY POLICY ISSUE 2

ACTION CALL 2 : UN contribution to the African Union Peace Fund (AUPF)

Reasoning:

Since 2018, there has been a push to revitalize the AUPF to ensure the AU can autonomously finance operational activities such as Mediation and Preventive Diplomacy and Peace Support Operations. However, it faces challenges. In a recent interview, the Chairperson of the AU Commission, H.E Moussa F. Mahamat, stated “The AU Peace Fund currently has $250m and we still hope to reach $400m soon to improve our prevention capacity” and expressed the UN’s reluctance to finance African peace operation, stating “we have been asking for more than ten years for the UN to finance African operations, but we have not been successful”.

There must be a change in approach by redirecting funds that would traditionally go to UN operations to the AUPF and regional multinational joint task force. One reason the AUPF is so important is the Mediation and Preventive Diplomacy, which prevents crises from growing. African leaders must emphasise this at the UNGA - Africa has the commitment and initiatives in place to reshape peace and security on the continent.

KEY POLICY ISSUE 3

Climate Action – Why More Climate Funding must be Directed to Scaling-up green growth on the Continent

Background:

Climate change has profoundly impacted the continent's development, with 5 out of the 10 countries most affected by climate change located in Africa . Despite its low percentage of global GHG emissions , the continent will be severally impacted by climate change, with climate change impacts estimated to cost African economies between 3% - 5% of their GDP.

Currently, 53 African countries have submitted their NDCs to the UN Framework Climate Change Convention (UNFCCC). Of these 53 NDCs, 39 are Enhanced NDCs (ENDCs). Yet, for countries with the most detailed finance targets, over 80% of financing targets for both mitigation and adaptation measures are conditional on external financing from the international community, climate funds and the private sector.

In addition, all of the NDCs submitted refer to the need for renewable energy and to diversity energy sources, with the vast majority (70%) going as far as identifying a specific RE target in the electricity or energy mix. However, while, in 2020, renewables contributed about 9% to the total energy mix of Africa , Africa's renewable energy capacity accounted for only 2% of the global total capacity.

Furthermore, to reach Agenda 2063 – and see the African continent rise to become the world's third largest economy (from 8th position currently) and the world's largest manufacturing hub (taking over from China) – the continent's emissions need "room" to rise, unless there is drastic technological change.

A huge shift in and upscaling of investment is therefore required to deliver Africa's climate action needs and legitimacy."

ACTION CALL 1 : Public Climate Action Funding needs scaling up

Reasoning:
Climate change has ambitious targets without an ambitious level of financial resources. Over a decade ago, developed countries committed to providing US$100 billion each year to developing countries in their fight against climate change. However, by COP26 in 2021, this funding had not materialised. The severe lack of external investment constrains the continent's ability to contribute globally to climate change solutions, and its own development goals - with the AfDB estimating that African countries require between up to US$ 1.6 trillion from 2022 to 2030 to implement existing climate commitments. , let alone reaching other developmental goals, namely the SDGs and Agenda 2063, through an acceleration in industrialisation levels and the development of local manufacturing capabilities, including in environmental goods.

This is not just a case of making existing finance "climate-friendly" or "resilient". Such action has the potential to penalise African countries by building in more risk as well as making requirements for accessing finance more complex. New, additional, public external capital must therefore be urgently invested into mitigation and adaption - including through UN funds such as the UNFCCC's Green Climate Fund and Adaptation Fund,

Furthermore, international mechanisms to support Africa's climate action need updating. For example, only 3% of Clean Development Mechanism (CDM) projects - the UN-run carbon offset scheme from the Kyoto Protocol - are in Africa. By contrast, countries in the Asia-Pacific region have generated 80% of the total CDM projects. Future financing solutions by the international community and the UN's climate bodies need to orient better towards solving Africa's needs and concerns.

ACTION CALL 2 : Africa's bilateral and regional Climate Initiatives need more focus, not only a "just transition"

Reasoning:
The number and content of African NDCs highlights African countries' strong commitment to the UNFCCC's NDCs. This is also reflected in regional policy. For example, the Programme for Infrastructure Development in Africa (PIDA) is a joint initiative of the AUC, NEPAD, and the AfDB.

All projects prioritised for external support to ensure African households, businesses and industries have energy access are classified as “green”.

This all means African countries require more than a ‘just transition’ model to achieve both climate and developmental goals.

First, most countries are still ‘scaling-up’ their energy use and levels of industrialisation, rather than making the ‘transition’ to cleaner energy.

Second, many countries do not have significant ability to attract private sector investment into the renewable energy sector or other sectors . It is also not a case of mobilising the private sector. 23 of Africa’s countries have no credit risk rating, and those that do have ratings implying high interest rates.

These factors mean that most African countries will require different types of climate financing frameworks to achieve their climate and developmental goals, including public, concessional finance for regional projects. This cannot be forgotten when considering further JETPs with African countries at COP27.

KEY POLICY ISSUE 4

Development Finance for Africa – Why Reform of the International Financial System is Needed, Now

Background:

To meet Agenda 2063 and the UN SDGs, access to external development finance must be increased significantly to meet the current financing gap. According to the AfDB, the continent's infrastructure needs amount to US$130–170 billion per annum, with a financing gap ranging between US$68–US$108 billion. Such financing gaps cannot be filled by domestic resource mobilization and African financial institutions alone - and requires external financing by bilateral, multilateral and commercial lenders. This is in line with calls to increase Global Public Investment, which stresses that "co-creation" and equal partnership, beyond the traditional donor-recipient aid relationship, is critical for development.

Yet, despite African countries implementing social distancing measures early on which lead to some of the lowest death rates in the world, the pandemic has significantly dampened many African countries' growth rates, due to reduced economic activity and funding directed into socio-economic protection policies and costly vaccine rollouts, which has led to increased debt levels for many countries. Subsequently, this has led many creditors to view many countries as in "debt distress" and cut back on lending at a time when financing post-COVID recovery is essential.

Whilst there have been efforts by the international community to provide temporary fiscal space through debt suspension, or in selected cases debt relief and swaps, this is not enough for African countries to fund post-COVID19 recovery, and longer-term development. Indeed, whilst COVID-19 may be an unprecedented event – the underlying issues embedded in the financial system have been prevalent for decades. For example, during the 1980s oil crisis, key stakeholders in the international financial system (IFS) allowed interest rates to rise without protecting developing country debt, leading to a debt crisis. The consequences of this led to mass privatizations of developing country's assets and poverty levels rising. We are seeing some countries being encouraged in this direction already. A recent Oxfam report revealed that 13 out of the 15 IMF programs negotiated in 2021 required austerity measures. This COVID-19 "moment" represents an opportunity to push for reform to outmoded flaws in the IFS and increased access to development finance.

ACTION CALL 1 : Reform the IMF and World Bank Debt Sustainability Analysis (DSA)

Reasoning:

The IMF and World Bank DSA's main objective is to monitor low-income countries' debt levels by classing them as in low, moderate, high and in debt distress. Many African countries find themselves rated as high risk or in debt distress which results in an "African Risk Premium" making borrowing more costly when countries apply for commercial credit as well as discouraging potential investors. Indeed, a 2015 study found that this premium saw African countries paying 2.9 per cent higher on bonds than the rest of the world. .

This is not an irrational outcome. In 2019, 64 countries across the world had debt to GDP ratios over 60%, a third of whom were African. However, all 12 of those who were classified as debt distressed in this group of 64 were African. This classification issue has worsened post-COVID. Now, 79 countries have debt to GDP ratios over 60%, a third of whom are still African. However, there are now 23 of the 79 that are classified as debt distressed, and all 23 are African. There is serious bias in the DSA system.

The DSA, therefore, gives the impression that African countries must be under surveillance, yet as the 2008 financial crisis shows, high-income countries can equally face debt crises. Furthermore, many middle- and high-income countries have developed with much higher than the 60% debt to GDP threshold imposed by the DSA, and still sustain high ratios of over 100%. Therefore, imposing a restrictive threshold over African countries when others have not abided by the same process must be questioned.

Moreover, the DSA focuses on the quantity of debt rather than the quality – and debt can fund growth-inducing projects. For example, African governments often borrow for capital expenditure such as infrastructure projects, including projects in energy, railway, and roads, all of which have growth-inducing spin-off effects such as creating jobs and incomes, enhancing productivity, facilitating regional and international trade and developing value and supply chains. Overall, African countries need to take on debt to induce economic growth - meaning reform of the DSA is necessary. The SDGs cannot be met without increased spending and sufficient access to concessional finance to do so.

ACTION CALL 2 : Reform Credit Rating Agencies (CRAs)

Reasoning:

CRAs analyse and evaluate the creditworthiness of sovereign issuers of debt securities. However, CRAs often lack transparency in their methodologies and will downgrade a country which experiences a change in economic conditions – such as an increase in debt levels reported by the government - without properly contextualising the reasons for shifts. An example of this can be seen with Fitch and Moody's downgrade of Ghana's CRA following debt to GDP increases, which was challenged by Ghana's Ministry of Finance as an unnecessary downgrade. Subsequently, these rating downgrades can increase countries' interest and debt servicing rates, therefore putting further financial pressure on the country.

As aforementioned, African leaders and development practitioners must highlight that debt increases are not inherently bad, but necessary to respond to an international crisis to protect their populations as well as to induce development. As such, CRAs must undergo reforms to account for debt quality.

ACTION CALL 3 : Provide Automatic Fiscal Space During Economic Shocks

Reasoning:

In response to the COVID-19 pandemic, the World Bank and IMF implemented the Debt Service Suspension Initiative (DSSI). Between May 2020 and December 2021, the DSSI suspended US$12.9 billion in debt-service payments for borrowers. Although the DSSI did not cancel debt, it did provide essential fiscal "breathing room" for countries which enabled them to finance socio-economic protection measures.

However, multilateral and private creditors did not participate in the DSSI resulting in many African countries continuing to repay costly debt service with high interest rates whilst financing COVID-19 protection measures alongside dampened economic activity.

Overall, African leaders should call for a permanent emergency debt suspension mechanism to be implemented immediately. Such protection should not be limited to a worldwide financial shock but should be permanently established to give this fiscal space to all low-middle income countries that may face national, regional or global shocks in the future. Moreover, African leaders should call for enhanced efforts to include multilateral and private creditors under this permanent mechanism to ensure maximum fiscal space.

ACTION CALL 4 : Mobilise Support for Borrower's Coordination

Reasoning:

As shown with the DSA and CRAs, the international finance system is creditor centric and is not considerate of the borrower's needs. Creditors are often organised through "club" or "committees", such as the Paris Club, which exclude the Borrower from negotiations. There is an urgent need to increase Borrower Coordination for countries to share experience and negotiate practices to get more out of the financial system. Such coordination can be achieved through a Borrowers Club , where African countries club together to take out loans and negotiate debt terms. Key aspects are highlighted in the text box on the next page:

The Borrower’s Club

- Borrowers meet regularly to determine priority projects for the members, based on clear eligibility criteria;
- Borrowers appoint a representative(s) to interact with creditors and this can be on a rotational basis;
- Borrowers will appoint an independent trustee based on certain criteria such as its capital or reputation;
- Borrowers as quickly as possible begin to make equal small, low-interest regular payments to an independent trustee;
- The repayments are designed to be small with low-interest rates for ease of payment while also sufficient to build in a "cushion" for temporary collateral;
- Borrowers deliver their projects independently, monitor and evaluate results and meet regularly to keep each other accountable for progress and to agree on new projects;
- If a project is delayed, faces challenges or a borrower faces repayment challenges, the borrower committee must agree for the cushion to be made available to support temporarily;
- Borrowers in arrears do not get more loans.

The Borrower’s Club is attractive to African nations in more ways than one. African governments will have access to credit that will bolster project initiation and continuity via availability of low-interest loans. Coordination among African governments will improve while also providing platforms to share ideas and experiences.

The UN can assist in the coordination of borrower countries, by utilising its convening power and credibility. In particular, the United Nations Economic Commission for Africa (UNECA) can work more closely with African institutions such as the AU and regional blocs to achieve this.