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G20 summit: Africa's loss

The G20 resolutions on Africa are neo-colonial and paternalistic. They will only serve to exacerbate the continent's problems.

Now the troubled days in Hamburg are over, it's time to ask what's left from last weekend's G20 summit. Controversial discussions about a unified climate policy, free trade and better measures to combat terrorism overshadowed the *Compact with Africa* (CWA) – a G20 initiative to promote private investment on the continent. It was an opportunity missed – not least due to a lack of empathy from the USA, EU, Japan and India, as well as China. It seems this 'club of rich nations' is still only marginally concerned that African countries are underdeveloped and not part of the global economy.

The G20 finance ministers coordinated the CWA, and discussed it with select African countries *after* it had been completed. Then the G20 approved it. But its name, Compact *with* Africa is misleading. The continent was barely involved in shaping the agreement. South Africa is the only African member of the G20. The African Union was invited late in the day, and no other African countries were involved in formulating the Compact. Besides that, as a document that links the financing of large infrastructure projects to foreign direct investment, the CWA does not really represent African concerns.

The G20 finance ministers who ran the show in Hamburg mostly thought about how to free up capital for big projects. We're talking huge sums: To catch up with Southeast Asian infrastructure, an estimated USD 100 billion will have to be invested annually over 10 to 15 years. And that only covers the bare necessities – electricity, roads, water connections, urban and rural transport systems, ports and airports.

Since sums of that magnitude are beyond the means of official development assistance, the G20 is hoping to attract private investors such as pension funds and life insurers. However, they will only invest where they have good prospects of a certain rate of return. This is unrealistic in poor African countries, so there still need to be subsidies and safeguards. Compact documents reveal that investors are guaranteed

interest rates of 4 to 4.5 per cent.

A Friedrich-Ebert-Stiftung study about the CWA from May 2017 analysed its main components. Although the CWA's concept is perfectly coherent and it presents straightforward arguments and some important statements about efficiency, big-project management and possible indebtedness, the authors of the study criticise that in the final analysis, the CWA is a re-launch of the 'Big Push'. That approach, which predicts that Africa could get ahead through major investment in its infrastructure, has already been discussed many times in Africa. The Compact is simply a new version of stabilisation and structural adjustment measures: The generally detrimental programmes of the 1990s are in vogue again.

The CWA is principally a set of instruments for leveraging private capital and hedging risks. The idea is not new. It plays down the side effects and barriers that private co-financing can cause, especially in poor countries and conflict-wracked regions where poverty persists and creates the greatest pressure to migrate.

The International Monetary Fund (IMF), World Bank and African Development Bank provided the blueprint for the compact. Unsurprisingly, the compact is biased.

Its macroeconomic framework – fiscal policy discipline, privatisation and deregulation – smacks of the neoliberal 'Washington Consensus' that was thought to be a thing of the past. The CWA has no room for nuanced recommendations that take Africa's particularities into consideration. It does not distinguish between emerging economies and conflict-ridden poorhouses; countries that export and import raw materials; coastal states or landlocked countries; states in West and East Africa; or nations that are heavily indebted and those that are not.

The CWA is heavily influenced by the Anglo-Saxon financial model, which is based on stocks and bonds. In contrast to that, East Asia and Continental Europe financed their successful development models through retained corporate profits, commercial bank corporate credits, and taxes and mandatory levies for public sector investment.

The public sector's role in development is largely ignored: salvation is supposed to come from private investors. There is no mention of the role played by national development banks for the middle class, state pension funds and rural credit unions in combatting rural poverty.

The CWA also overlooks the connection between developing

infrastructure, industry and agriculture. There is no concept for developing industry, modernising agriculture, or the economic policies needed to do that. Knowledge of the varying developments in middle- and low-income countries, where small- and medium-sized enterprises have vastly different starting positions, is particularly lacking. Neither does the compact explain how the momentum that developing industry can gain in urban centres can be brought into the agricultural sector.

The CWA does not address the benefits of education and training on economic development, nor does it discuss labour or environmental standards – areas where Germany has expertise.

With the G20 finance ministers dictating the agenda, the German government missed its chance to bring African countries' experience, strategy papers, expertise and economic policy concepts into the discussion.

Germany also missed the opportunity to present a new model of cooperation with Africa, despite numerous conversations between African leaders and German ministers, NGOs, think tanks, unions, employer associations and political parties. There was no discussion of the German government's "Marshall Plan for Africa", which proposed a number of initiatives to fight poverty. There should have been more of a focus on poverty and climate change, because Africa needs sustainable and inclusive development.

The G20 heads of state and government are astonishingly resistant to advice about how to cooperate with Africa. They seem to cling to an obsolete, neo-colonial and paternalistic model of control – a model that is more likely to exacerbate the problems than solve them. Small wonder that African countries want no part of it!

Germany must now lick its wounds and start over. Its next opportunity will be at the autumn 2017 negotiations of the Cotonou Agreement, which has regulated the partnership between African countries and the EU since 2000 and is scheduled to end in 2020. Hopefully, those results will not be paternalistic or made with brute-force. We have to hope that the next agreement will be pro-active and include convincing measures for solving complex trade issues. The Hamburg takeaway: Never allow finance ministers to conceptualise issues that are beyond them: development, poverty reduction, industrialisation, agricultural modernisation and employment.



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