

Africa and the Paris Summit on New Global Financing Pact

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1. Introduction

The Summit for a New Global Financial Pact, held between 22-23 June 2023 in Paris was organised to create an opportunity to solve the debt crisis and unlock trillions in low-cost financing needed to respond to the debt and climate crisis in the global South (Ehiraika, 2023). Africa is an integral part of the global south is at the frontline of climate change . Most countries on the continent are facing financial difficulties that make them unable to implement adjustment and adaptation strategies. Given the fact that 97% of people affected by extreme weather events live in developing countries, but contributes the least to carbon emissions responsible for climate change, makes it imperative for more funding commitment from developed world (Rathi,2023). It is under this backdrop that the Summit convened by Emmanuel Macron, President of France and attended by some heads of government, international financial institutions, business leaders and some none Governmental organisations, sits very well in the quest for a more equitable world.



Figure 1: Day one at the Paris Summit (Source:Davidicke.com ,2023)



Figure 1: Picture of cross section of world leaders that attended the Paris Summit (AlJazeera)

2. Imperative for the Paris Summit

Countries of the global south led by the president of Barbados Mia Motley were very vocal at the summit. The recent global events including the COVID-19 pandemic and the Russia-Ukraine war have had a cumulative effect on their economies (Bouissou & Ricard, 2023). Rising debts and decreasing fiscal and budgetary space have constrained these already fragile countries, to provide their citizens to basic services. This, President Emmanuel Macron understands very well when he said at the November Conference of the Parties (COP 27) in Egypt that,; “more and more Southern countries feel they are asked to make climate efforts while they have not been sufficiently helped to fight poverty in an increasingly difficult context,” as such the premise of which the summit became necessary.

The first day of the summit had the opening session where President Macron gave a welcome address. There was also good will messages from some high-profile development partners (Ehira, 2023). There were six roundtable sessions where leaders of nations were grouped with heads of development partners, investment companies and financial institutions. This platform presented opportunity for issue-based discussions according to country situation, dialogue and lobbying for investment. Beside this, there was side events that ran concurrently with the roundtable sessions

at different rooms at Palais Brongnairt, UNESCO and OEDC buildings. The summit provided opportunities to engage and discuss real time solutions

3. African Voices at the Summit

A high powered African representation mostly at the levels of heads of government were visibly loud in articulating the concerns of the continent and their individual countries (Okoli, 2023). Most of the speeches were tailored towards pushing for a re-engineering of the global financial architecture, to create a model that can work for Africa. The President of South Africa, Cyril Ramaphosa led the pact. In his speech, he stated that, “the financing must be predictable and certain” (Okoli, 2023). He argues further that most developing nations have received financial pledges during bilateral negotiations with external partners, mostly in the United States and Europe and now from Asian leaders such as China in the past but these are very slow in coming. This scale of financial support does not consider the level of sustainability of development and the magnitude of the expected growth.

President William Ruto of Kenya urged global leaders to accelerate climate action through finance reform, stressing the need for more clarity on how the US\$9 trillion needed annually to contain global warming will come to poorer nations in the developing world (Fagan,2023). Ruto agrees that the summit made progress on new global sources of financing for climate action. This will move us closer to addressing the climate crisis but whether the summit will deliver on results remains in question, rests in our hands as the world (Fagan, 2023).

Dr Akinwunmi Adesina president of African Development Bank (AfDB) also articulated the position of Africa strongly at the summit. He stated that the current financing system is failing the world, and is not able to mobilise the capital that the world needs to meet all of its development needs. The aftermath of COVID-19 lockdown is still being felt by most countries of Africa as about \$250 billion is required for them to fully recover (All Africa.com,2023)). Besides that, Africa need \$277 billion a year to deal with climate change in addition to this is the mounting Africa's debt of which many are overburdened in terms of repayment and service of debt.

Dr Adesina said the first thing that needs to change is for the global financial architecture to scale up its level of ambition, “because we have to attain the sustainable development goals.” “Second is that government alone is not enough. By 2026 you're going to have roughly \$1.5 trillion of

assets under management globally. Now, if we are able to leverage a little bit of that, you can imagine what it will do for infrastructure globally and what it will do for us in Africa. So, when we talk about changing the global financial architecture, we are saying we need to do more to leverage the private sector where the money is (AllAfrica.com,2023). He called on the IMF to help unlock more resources to accelerate development, tackle climate change, address debt challenges, and close infrastructure financing gaps.

4. Other African Voices at the Summit

Beside representation by heads of states and institutions at the Summit, there were also sixty-three African Civil Society Organizations who collectively called for community-led efforts to effectively respond to the rising impacts of climate change in the continent. They declared, “We have come together as African civil society organizations to call on the world leaders, demanding transformative climate finance commitments for the resilience of African nations at the Paris Summit” (The Star, 2023). The CSOs identified critical areas for attention during the summit as well as financing climate education. The organizations said climate adaptation has been sidelined in global climate discussions for a long time and there is a need for the matter to be looked into. They said the African continent is currently facing substantial and escalating costs due to adverse climate impacts from a crisis it did not cause (The Star, 2023). The CSOs told the summit host, Macron that they demand stronger commitments to climate finance as the surest way to create a more resilient and sustainable future for Africa’s vulnerable populations. “By prioritizing these concerns, we can create a resilient and sustainable future for Africa and the vulnerable communities it comprises” (The Star, 2023).

5. The Agenda at the Paris Summit

The objective of the Paris summit was to “build a new contract between the global North and the global South” aimed at creating the fiscal space for vulnerable countries, thus enabling those countries to promote the development of the private sector; encourage investment in the “green” infrastructures and, mobilize innovative funding (Ellena, & Bourgerie-Gonse, 2023).

It has been projected that a total sum of \$3.9 trillion will be needed per year by these countries to cope with climate-related losses and damages, adaptation and mitigation measures, health, education, and social protection if they are to meet the global agenda 2030. It was expected that

the Paris summit would propose structural and sustainable solutions that align with earlier reforms in the system such as honoring the commitment to 0.7% GNI aid to developing countries, the payment of \$100 billion for climate, and the redistribution of \$24 billion of the \$100 billion in Special Drawing Rights (SDRs) promised in 2021 by G20 countries. Reforming multilateral development banks (MDBs) to make their financing capabilities sufficient from the loan term of 456 days to period that is reasonable compared to actual needs (Elhira, 2023).

Other issues at the table of the summit were the proposed Financial Transaction Tax (FTT) which is an innovative and inexpensive way of raising funds to help vulnerable countries. NGO One avers that from G20 countries up to €162 billion per year with a nominal rate of 0.3% (currently implemented in France) or €270 billion with a rate of 0.5% (the rate in the UK) can be realized with minimal impact to markets and businesses.

6. Takeaways at the Summit

One important takeaway at the Paris summit was announcement by Kristalina Georgieva, managing director of International Monetary Fund (IMF) that many rich countries would reallocate a portion of their own Special Drawing Rights (SDR) to benefit countries with greater needs for emergency funding. SDRs is a term for funds available to all IMF members in amounts that are tied to the size of their economies (Rizk, 2023). Countries can access the funds through the IMF in emergencies, and doing so doesn't add to their debt burdens. Rich countries at May 2021 meeting made a commitment to secure \$100 billion in SDR. The sums committed added up to around \$100 billion. France was the frontrunner, giving away 40% of its SDRs (Rathi & White 2023).

The IMF at the summit announced that the Resilience and Sustainability Trust, a tool that enables developing countries to fund green projects, exceeded its \$35 billion funding goal. There's now \$41 billion available, and much of that money came from the reallocation of SDRs. A new goal of \$60 billion was set (Rathi & White, 2023).



Figure 2: Setting at the Paris Summit, President Macron, Ruto and two others at plenary (Source: Bing.com)

At the summit, there was discussion on expanding catastrophe insurance, (piloted in Jamaica and Peru,) that offer debt repayment pauses in events of extreme climate incident to curb the accumulation of debt in dark times. It is believed that debt repayment “pause clauses” can make a huge difference as was the case with Barbados (Rathi & White (2023) The World Bank and United Kingdom Export Agency also promised to go ahead with this pause clauses.

The private sector was not left behind as Jay Collins, vice chairman at Citigroup Inc., declared that the private sector will consider participating in lending to these countries and offering debt relief. Also at the Paris summit, the Global Shield initiative announced at COP27 in Egypt that funds warning systems and insurance., witnessed increased budget from 170 million euros (\$185 million) to 270 million euros (Rizk, 2023).

7. Is Paris Summit another missed opportunity for Africa?

New Global Financial Pact in Paris was billed as an opportunity to solve the debt crisis and unlock trillions of dollars in low-cost financing needed to respond to the debt and climate crisis in the global South including Africa (Ehiraika, 2023). Good news for Zambia that got its debt restructured, but the summit failed to deliver any structural reforms for the other African countries facing debt distress or in need of enhanced access to concessional external finance (Ehiraika, 2023). With the Paris summit at the rear view, all eyes are now looking towards the July G20 Summit and COP 28 holding between November/December this year in Dubai. where a greater gathering of stakeholders would be deliberating on how to tackle climate change by achieving the global target of 2 degree Celsius above pre-industrial levels by 2030. Eight of the nine debt distressed countries are in Africa who are cutting funding in vital sectors to avoid defaulting on debt obligation. For instance, In 2023, African countries will pay US\$68.9 billion in debt service, more than the US\$58.4 billion they will likely receive in aid. The Debt Service Suspension Initiative offered 48 countries, during Covid expired in 2021, and the G20's Common Framework for Debt Treatments, designed to coordinate and cooperate on debt restructuring, has not worked (Weise & Colman, 2023).

Arguably, the African voice at the Paris summit of New Global Financing Pact was strong, but the commitment of creditor nations was dismal. Most of the global economic superpowers has not shown the passion of Emmanuel Macron to create to unlock funds for inclusive development that carries African countries along.

8. Conclusion

Indeed, the Paris summit for new global financing is a step forward in redefining the twin problem of debt and climate change for vulnerable countries. Though few breakthroughs were

brokered, no shortage of creative ideas, but follow up on commitment have been the bane of similar gatherings in the past.

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