Chair’s Summary

G20 Africa Partnership – Investing in a Common Future
Berlin, Germany, 12 – 13 June 2017

On 12-13 June 2017 the international conference “G20 Africa Partnership - Investing in a Common Future” hosted by the German Federal Ministry of Finance, the Federal Ministry for Economic Cooperation and Development and the Deutsche Bundesbank took place in Berlin.

German Chancellor Angela Merkel opened the conference together with Alpha Condé, President of Guinea and Chair of the African Union, and Paolo Gentiloni, Prime Minister of Italy and Chair of the G7. Opening remarks were delivered by Egyptian President Abdel Fattah al-Sisi, President of Côte d'Ivoire Alassane Dramane Ouattara, Ghanaian President Nana Addo Dankwa Akufo-Addo, Malian President Ibrahim Boubacar Keita, President of Niger Mahamadou Issoufou, Rwandan President Paul Kagame, Senegalese President Macky Sall and Tunisian President Béji Caid Essebsi.

Following the high-level opening session, German Federal Minister of Finance Wolfgang Schäuble and Federal Minister for Economic Cooperation and Development Gerd Müller opened the high-level dialogue on the Compact with Africa with representatives from African countries, G20 member states, partner countries, and international financial institutions. Bundesbank President Jens Weidmann and Moussa Faki Mahamat, Chairperson of the African Union Commission, opened the second day of the conference.

The conference provided a platform for government representatives as well as experts and private sector stakeholders to initiate the G20 Africa Partnership and to strengthen this dialogue by exchanging views on joint opportunities and measures to overcome challenges. Central to the discussions of the conference were the three pillars of the G20 Africa Partnership: (1) to improve inclusive economic growth and employment; (2) to develop quality infrastructure especially in the energy sector; and (3) to strengthen the framework for private finance and investment in Africa (Compact with Africa). The G20 Africa Partnership builds on existing regional and international strategies in order to ensure alignment, coherence and ownership; it is based on the assumption that peace and stability are prerequisites for sustainable growth and development. Participants in the conference expressed strong support for the G20 Africa Partnership and committed to actively support it.

The conference brought together more than 800 participants from African as well as G20 and partner countries, including a total of 11 heads of state or government and 35 ministers, as well as more than 130 private sector investors from 25 countries, heads and representatives of international organisations, and civil society representatives with expertise on Africa. A total of 178 journalists covered the conference.

The following ministers participated in the high-level discussion on the Compact with Africa: Minister of Economy and Finance of Côte d'Ivoire Adama Koné, the Minister of Economy and Finance of Morocco Mohamed Boussaid, the Minister of Finance and Economic Planning of Rwanda Claver Gatete, the Minister of Economy and Planning of Senegal Amadou Ba, and the Minister of Development, Investment and International Cooperation and Minister of Finance of Tunisia Fadhel Abdelkefi. Further contributors to the high-level dialogue were the Minister of Finance and Economic Planning of Ethiopia Abraham Tekeste, the European Commissioner for Economic and Financial Affairs, Taxation and Customs Pierre Moscovici, the Minister of Economy and Finances of Italy Pier Carlo Padoan, the Minister of Finance of Ghana Ken Ofori-Atta, the Minister for Foreign Trade and Development Cooperation of the Netherlands Lilianne Ploumen, and the Minister of Finance of Norway Siv Jensen. These ministers were joined by the following representatives of the international financial institutions in the high-level discussion Akinwumi Adesina, President of the African Development Bank, Christine Lagarde, Managing Director of the International Monetary Fund, and Jim Yong Kim, President of the World Bank Group. Further high level representatives in the conference included Angel Gurría, Secretary-General of the Organisation for Economic Co-operation and Development, and Ibrahim Hassane Mayaki, Chief Executive Officer of the New Partnership for Africa’s Development.

High-Level Dialogue

Participants acknowledged recent achievements in sustainable growth and development in Africa, and described the expectations and needs of the people on the African continent. Many African countries have implemented significant reforms in recent years, improving stability and strengthening institutional frameworks, resulting in stable economic growth and improved governance. However, challenges remain: Many countries depend economically on the extraction of raw materials, and are therefore vulnerable to volatile commodity prices. At the same time, the needs of growing and young populations have to be met. Peace and security concerns, as well as continued challenges in the fields of governance and the rule of law, continue to weigh on sustainable growth.

High-level participants committed to enhance joint cooperation among African countries, G20 partners, international financial institutions and the private sector. Leaders stressed in particular the private sector’s role in supporting sustainable development. While official development assistance continues to play an important role, Africa also needs increased investment from the private sector in order to achieve broader and inclusive growth. The Chair of the African Union, Guinean President Alpha

Condé, welcomed the fact that the G20 Africa Partnership aims to contribute to the objectives of the African Union's Agenda 2063. The Chair of the G7, Italian Prime Minister Paolo Gentiloni, highlighted the complementarity between the G7 and G20 agendas on Africa, which aim at unlocking Africa's huge potential for economic progress and development.

The conference also provided a platform for the African countries that are participating in the G20 Compact with Africa initiative to emphasise their political commitment and priorities. The finance ministers of Côte d'Ivoire, Ethiopia, Ghana, Morocco, Rwanda, Senegal and Tunisia, announced ambitious reform measures aimed at improving the framework conditions for private investment. The heads of the African Development Bank, the International Monetary Fund, and the World Bank as well as many G20 members and non-G20 partners indicated their support for the initiative and the implementation of individual investment compacts. The participating international organisations committed to work closely together to ensure effective coordination of the input from all Compact partners.

The speakers highlighted the following aspects of the Compact with Africa: (1) a demand-driven and open process that emphasises African ownership; (2) closer dialogue and better coordination among stakeholders; and (3) collective action, building on strong commitments from all sides to create the right framework conditions for investment; (4) continuity of the initiative beyond the German G20 presidency. It was highlighted that the initiative remains open to more African countries, and that current Compact countries can become role models for other countries that join the initiative later.

Breakout Sessions

Sessions on the Compact with Africa

In support of the Compact with Africa, the African Development Bank, the International Monetary Fund, and the World Bank Group prepared a report for the G20 finance ministers and central bank governors on how to improve the environment for private investment in Africa. The breakout sessions on the macroeconomic framework, business framework and financing framework discussed the recommendations of this report.

The **macroeconomic framework sessions** highlighted the dual objective of investing to support growth while maintaining macroeconomic stability. To achieve these objectives, policymakers need to refrain from incurring more debt and focus instead on (1) mobilising domestic resources and (2) making public investment more efficient. Better governance and lower tolerance for corruption are also key to creating fiscal space for critical investments.

To mobilise domestic resources, participants called for transparent tax systems that ensure that everyone pays their fair share, including multinational corporations. Overly generous tax exemptions should be reviewed. To strengthen public investment management institutions, a more collaborative approach is needed between country authorities and development partners. Lessons from public investment management assessments conducted in Africa suggest that while many African countries have public investment management principles, they are not often adhered to. Many African countries are also closing infrastructure gaps through public-private partnerships. Participants noted that while public-private partnerships can deliver substantial savings, they need to be carefully managed and the risks better assessed and allocated.

The **business framework sessions** focused on the business climate in Africa. Despite recent reforms in the continent, the private sector remains concerned about the following aspects: (1) investor protection/dispute resolution, where experts underscored the need to intervene at an early stage to reduce instances of conflict; (2) red tape/bureaucracy, where investors noted that one-stop shops could add an extra layer of bureaucracy; and (3) minority ownership and work visa requirements that constrain the transfer of expertise. While the business climate can still be improved further, various examples were given that highlighted the marked difference between perceptions and reality ("the perceptions gap"), suggesting solid reforms and efforts to change these perceptions should go hand-in-hand.

The sessions also covered the reasons behind the shortage of bankable projects: (1) governments are not long-term-oriented while the private sector needs a greater sense of certainty; (2) lack of expertise in the government leads to slow decision-making and weak implementation; (3) lack of dialogue between the public and private sectors, especially at the early stages of preparation, weakens projects' viability.

All stakeholders have a role to play in developing bankable projects. Governments need to build capacity, maintain a stable environment (in particular reducing foreign exchange volatility), and be focused on their long-term visions, regardless of the electoral cycle. The private sector needs to refrain from pushing for projects that are not sustainable. And development finance institutions need to deploy risk mitigation instruments faster and increase their support for project preparation facilities. However, other participants noted the many small and independent project preparation facilities and proposed greater coordination among, or merging of these facilities.

The **financing framework sessions** highlighted the reasons behind the lack of suitable financing instruments and bankable projects in many African countries. Policymakers need to define the specific market failure on a case-to-case basis and create instruments to address it. One failure noted in the private equity space is the gap between the size of funds sought by institutional investors versus the average size of financing and funding volumes of different African markets. Participants also urged the development and use of technical instruments to tranche, hedge, diversify, and bundle risks. Such instruments are necessary because perceived and real political risk remains high. Others, however noted that financing is less of a problem than the scarcity of investible projects and the need to improve the business environment. Project preparation and structural reforms are therefore more important for African countries.

The sessions also touched on the need to develop local currency capital markets. Pre-requisites include an independent central bank and sound macroeconomic policies (to minimise exchange rate volatility), capacity and strategy for public debt management, domestic investors, and adequate market infrastructure and regulation. Measures to raise domestic savings are also needed to support the development of the local currency capital markets.

Sessions on Improving Inclusive Economic Growth and Employment

In the session on **technical and vocational education and training (TVET)** the panellists emphasised that TVET needs to be seen in the context of a coherent and integrated policy framework, which includes structural reforms and a clear industrial strategy. Such a strategy needs to identify and target the skills gaps in the labour market, based on dialogue among the public and private sectors, business associations and with young people. For Africa, tailored TVET approaches that take into account the needs of the formal vs. informal and rural vs. urban sectors are necessary. There was strong recognition of the need to improve the perception and attractiveness of TVET through cultural change and adaptation within the private and public sectors. Regarding cost levels of TVET, panellists stressed that the emphasis should be on long-term investment and the creation of sustainable labour market conditions. Participants empasised that an investment in TVET was an investment in both economic growth and in a common future.

In the **digital development session** participants argued that progress on the digital agenda is uneven and that it is most successful where private sector dynamism is met with a government that is willing to provide a regulatory environment conducive to digital growth. To reap the benefits of digital trade, countries should consider developing e-commerce strategies – ideally together with the private sector – to address weaknesses across the spectrum of infrastructure, payment solutions, logistics, legal and regulatory framework, skills and financing for e-commerce. The gender aspect should be mainstreamed into such strategies. For women's empowerment, digitalisation holds a vast promise; the lack of digital skills was one of the key constraints identified during the session. The G20 #eSkills4Girls initiative addresses this by tackling the existing gender digital divide in particular in low income and developing countries by boosting relevant education and employment opportunities. The #eSkills4Girls digital platform was launched in this session.

Session on Quality Infrastructure Especially in the Energy Sector

The **climate and energy session** highlighted that Africa is a continent of opportunities, including great investment opportunities for renewable energy. Panellists identified unattractive framework conditions, real and perceived risk, lack of bankable projects, and weak local financial markets as key barriers independently of application and technology. It was acknowledged that the right investment conditions are a precondition for sustainable business activity and can only be established by national governments. Targeted policy support to help create these enabling environments was seen as very useful. The current risk perception for renewable energy projects in Africa is oftentimes prohibitive for international as well as domestic investors. Dedicated financial instruments to mitigate these risks are therefore needed to make projects viable in the nascent markets. Lastly, support for the project development phase plays a decisive role to increase investment flow into renewable energy in Africa. Building up the technical capacities is indispensable to build up the project pipelines required to massively scale up the deployment of renewables in Africa.

Session on Investment in Fragile States

The session on investment in fragile states stressed the importance of building a partnership with the whole continent, based on the facts that peace and security are preconditions for economic development and prosperity, while fragility and conflict often have negative repercussions on a regional level. Participants agreed on the significance that nobody should be left behind. The session highlighted trade, investment, and business opportunities as having a stabilising effect on fragile states and that the role of business should be considered even in early stages of recovery after conflict, where it is best to support local entrepreneurs, in particular in the agricultural, energy and telecommunication sectors. A number of key steps out of fragility were given as examples, such as clearance of debt, establishing key institutions, reinforcing governance, including justice systems and corruption-free zones, safeguarding key international standards, and, to an extent, risk mitigation. It was emphasised that there is no “one size fits all” approach and that political dialogue is needed to use instruments available in the best possible way, adapted to the situation.

Investor Roundtable

During the high-level investor round table discussions as well as during the follow-up bilateral discussions with investors, the finance ministers of the Compact with Africa countries presented the priorities of their compacts to private investors and also pointed to specific sectors and projects where private-sector participation is most needed in their countries. They used the opportunity to ask the invited private sector representatives for their feedback.

Investors welcomed the Compact with Africa initiative and appreciated the opportunity to start a dialogue with the Compact countries. They highlighted the importance of good governance and mutual trust, good public infrastructure, access to decision-makers, transparency of decision-making, skills and training, well-functioning domestic capital markets, transparent and reliable regulation and taxation as well as minimal red tape, which are all crucial for private investors. Several business representatives indicated their interest in investing in specific countries and sectors. Others highlighted their presence in the Compact countries and the extent of their operations. The representatives from the development finance institutions also highlighted their commitment to the initiative and specified potential contributions, ranging from technical assistance to developing innovative products that will help to crowd-in private capital.

Africa Opportunities Forum

The Africa Opportunities Forum was kicked off with the launch of the Nairobi-based **Africa Academy for Tax and Financial Crime Investigation** by representatives of Germany, the OECD, Kenya, and Italy and supportive statements from South Africa. The training institute for African tax and financial crime investigators aims to curb illicit financial flows and fight tax evasion in African countries.

In the discussion group on **African Entrepreneurs Reporting** four successful young entrepreneurs from Africa presented their success stories. Among the challenges discussed were the difficulties in accessing the necessary infrastructure and technology, as well as the need for investors to be able to gather information on the investment climate. Knowledge transfer and solid networks were identified as important for the success of entrepreneurs.

The group **Ready to Trade** discussed key criteria for investment decisions related to trade and measures to reduce trade costs; in particular fostering intra-African trade, advancing regional and continental economic integration, and promoting coherent trade agreements. Pre-conditions that were highlighted included upgrading infrastructure and building productive capacity. Participants also emphasised that substantial trade cost reductions can be achieved by trade facilitation measures.

The group **Encouraging Corporate Tax Responsibility** focused on the issue that Africa suffers the highest corporate tax losses of all world regions. Participants emphasised that tax officials dealing with large businesses should have broader knowledge in areas related to the business models of companies which extends beyond detailed knowledge of tax law. As there is momentum to encourage corporate tax responsibility also as a unique selling point, positive examples and stories should be incorporated and used to set incentives for other firms.

The group **Remittances for Investments** discussed how official development assistance (ODA) can be used as a catalyst to leverage private diaspora investment to foster regional economic structures in a sustainable way. The bundling and leveraging of remittances with ODA funds, especially to foster economic development in rural and marginalised areas, was highlighted as a way to support investments in entrepreneurial projects in Africa.

In the group **Fostering Graduate Employability** participants stressed that companies located in Africa are looking for workers who not only have theoretical knowledge but also have practical experience and soft skills. The group underlined the importance of bringing together formal and non-formal education. Programmes for universities and employers can provide clear structures to build a bridge between academia and the labour market.