

Africa-Europe Foundation:

Areas of action to contribute to the New Global Financing Pact

As partner of the Paris Summit taking place 22-23 June 2023, the Africa-Europe Foundation is working to contribute to the definition and building of the New Global Financial Pact.

In preparation of the Paris Summit, and of the key strategic milestones in 2023 focusing on the broader global governance reforms, AEF has led a series of high-level convenings, multi-stakeholder dialogues and focus groups across Africa and Europe, in addition to launching the first #AUEUTracker to complement existing mechanisms aimed at monitoring the financial and political commitments of the Africa-Europe Partnership. This included the meetings of the AEF High-Level Group and AEF Women Leaders Network, held in Nairobi 28-30 April within the 2023 Ibrahim Governance Weekend.

The analysis of these various dialogues and initiatives have led to the following points and areas of action for the Africa-Europe Foundation:

1. **Reaffirm the fact that a strong Africa-Europe Partnership can provide a stable global middle-ground as the world becomes increasingly multipolar.** Together the two continents can play a leading role in the international arena. This also means addressing the current flaws in the multilateral architecture— beginning by a rapid decision in favour of an African Union seat at the G20. Key will be **encouraging coalitions of interest for AU and EU to have a meaningful shared impact at multilateral level:** coalitions of member states joining forces around issues of common interest can complement institutional processes, offering greater agility and speed in addressing urgent and complex transnational issues in all development domains, be it energy access/transitions, food security, global health, climate adaptation, mobility, and youth economic, social and political inclusion.
2. **Bring in focus and catalyse cooperation on addressing Illicit Financial Flows.** Fighting Illicit Financial Flows (IFFs) is embedded in the commitments of the most recent EU-AU Summit (February 2022 under the Sustainable Growth Chapter). IFFs represents a critical constraint to unlocking African domestic resources to finance African development needs during a time of fiscal tightening and looming sovereign debt crisis. IFFs have the potential to severely impact economic stability and economic opportunities, by depleting foreign exchange reserves, creating unfair market competition, artificially inflating property prices, or diminishing tax intake. It is high time to **identify barriers to address and measures needed to finally implement the key recommendations of the Thabo Mbeki Report** commissioned by the AU/ECA Conference of Ministers more than a decade ago.
3. **Deliver on the commitments to reallocate at least the additional envelope of Special Drawing Rights (SDRs).** This is key to increase access for African countries to money at low rates of interest and demonstrate Europe's willingness to meet the commitments made in Paris two years ago at April 2021 Summit, reconfirmed at the 6th AU-EU Summit. Currently, political decisions need to be taken by major shareholders to agree to reallocate SDRs to Africa. **It is critical to support the African Development Bank's proposal to recycle SDRs using a hybrid capital instrument,** allowing them to be leveraged at a 1:4 ratio on capital markets to issue bonds and mobilise lending funds. This would allow for SDR donor countries to receive interest payments from the AfDB and borrower countries to receive highly concessional loans by an institution that has both regional and sectoral expertise. Focus and speed to provide debt relief for debt stressed countries remains a critical issue and requires a strengthened Africa-Europe Partnership.
4. **Embed mechanisms to track and facilitate the implementation of existing commitments.** The 6th EU-AU Summit agreed to adopt new mechanisms for monitoring progress on commitments, as this is key to restore trust severely damaged by the ongoing

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inability to deliver on commitments made at highest levels. This approach should be embedded systematically within all key multilateral initiatives, beginning with the Paris Summit for a New Global Financing Pact. There is growing mistrust with institutions and current institutional initiatives are suffering from a lack of authenticity, credibility and visibility among the people they are set up to serve. This also includes ensuring funding priorities and mechanisms are increasingly shaped by organisations working on the ground, as expressed consistently through AEF focus group work and multi-stakeholder dialogues in 2023.

In addition to the work of the AEF High-Level Group, these areas of action build on the diverse views of the AEF community and the various dialogues in recent months, among them:

- *The AEF Strategy Groups (sectoral leaders from civil society, business, policymaking, and the youth sector) for whom 'the redesign of the international financial system' has emerged as a transversal theme (5-11 April);*
- *AEF's #ReimagineAfricaEurope campaign, '#AUEUTracker Special Dialogue' broadcast series, and citizen focus groups conducted with 100+ young Africans on priorities for the governance reforms (April-May);*
- *The first AEF Progress Review on the Implementation of the 6th EU-AU Summit, including a chapter with expert analysis on the commitment to multilateralism (April);*
- *A special dialogue on international financial reforms co-organised by AEF at the OCED headquarters in partnership with the African Climate Foundation (30 May);*
- *The 2022 Africa-Europe Foundation Report and its chapter on Africa and Europe 'Driving Global Governance Reform' (October 2022);*
- *The High-Level Group's advocacy on increased African representation at the G20, IMF, World Bank and UN Security Council (June 2022).*

The Africa-Europe Foundation (AEF) is an independent platform for multistakeholder dialogue, frank debate and strategic analysis, working to strengthen the partnership between Africa and Europe.

For further information on AEF's partnership on the Summit of the New Global Financial Pact, contact:

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