THIRD WORLD NETWORK – AFRICA

Report of the Consultative Workshop on Finance and Development in Africa held from 19th – 21st February, 2019, at Mensvic Hotel, Accra, GHANA

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LIST OF ABBREVIATIONS

AfDB	African Development Bank
AGRA	Alliance for a Green Revolution in Africa
BCBS	Basel Committee on Banking Supervision
BIT	Bilateral Investment Treaty
CBWAS	Central Bank of West African States
CSOs	Civil Society Organizations
DRC	Democratic Republic of Congo
FAQs	Frequently Asked Questions
FDI	Foreign Direct Investment
GBs	Green Bonds
GDP	Gross Domestic Product
HIPC	Heavily Indebted Poor Country
IFF	Illicit Financial Flow
IFI	International Financial Institution
IMF	International Monetary Fund
IOSCO	International Organization of Securities Commissions
MDRI	Multilateral Debt Relief Initiative
NEPAD	New Partnership for Africa's Development
NGO	Non-Governmental Organization
OECD	Organization for Economic Co-operation and Development
RIAs	Registered Investment Advisors
SADCC	Southern African Development Coordination Conference
SDGs	Sustainable Development Goals
SOE	State-Owned Enterprise
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Programme
UNECA	United Nations Economic Commission for Africa
WB	World Bank
WAMU	West African Monetary Union

PART ONE – INTRODUCTION

1.1 Background

The financial sector in Africa has undergone significant changes in the last three decades. Starting with implementation of liberal financial sector reforms as part of broader economic reforms of the Structural Adjustment Programs (SAPs) and Economic Recovery Programs (ERPs) in the early 1980s for which many African countries liberalised and deregulated their financial sectors. Consequently, the banking sector, which dominates the financial sector on the continent, has seen extensive privatisation which has resulted in very high penetration of foreign bank ownership.

Many African economies have also developed stocks exchanges. The number of stock markets on the African continent increased from nine in 1992 to 29 in 2019. While market capitalisation – the total value of firms listed on the stock market – has been growing in recent times, most African stock exchanges remain undercapitalised and illiquid, and have generally not functioned effectively as mechanisms for raising capital.

In spite of this, an unprecedented wave of financialisation – phenomena characterised by a growing influence of financial markets and financial institutions – and increased integration of African countries continues at a frightening pace. This new lease of financialisation has taken several forms, fuelled partly by the recent boom in international prices of key raw material export prices and partly by policy responses in advanced countries to the recent global financial crises that drove returns to financial assets to near zero. There has been an increase in the volumes and sources of foreign financial flows into and subsequently out of the continent motivated primarily by short-term windfall profits. A growing number of African governments have responded by accessing international private bond markets leveraging natural resources and minerals.

Another manifestation of this financialisation is the introduction of new opaque and complicated financial products and instruments, prominent among them is derivatives products. Some of these products have been indexed to key commodities exports of African countries with implications for volatility.

Much of the liberalisation and financialisation is promised on the notion of a strong positive impact of financial development and financial deepening on economic growth, poverty and inequality embedded in neo-liberal economic thinking. The common argument is that Africa has a significant financing gap which requires substantial foreign capital to plug this hole. Thus, liberalisation and deregulation of financial sector on the continent is expected to increase the flow of financial resources to boost growth and reduce poverty. Yet, in spite of a quite extensive empirical literature showing this positive relationship (Beck, Demirguc-Kunt and Levine, 2007) much of Africa has yet to realise the positive benefits of liberal financial sector reforms. On the contrary, there are more poor people on the continent today than there were in 1990 and Africa has some of the most unequal countries in the world (Beegle et al., 2016).

Indeed, after decades of privatisation and foreign ownership, the so-called financing gap persists, and the continent still struggles to mobilise long-term capital to finance critical infrastructure needed for development. Instead, increased integration and financialisation on the continent has led to persistent negative net flows and increasingly volatile financial flows with negative implications for stability of currencies on the continent. Meanwhile, mobilisation of critical domestic resources for development has been hampered by misguided policies that promote foreign investment with generous financial incentives at the expense of domestic investment.

While mismatch between the structure of African economies and structure of its financial sector deepened, there has been a huge explosion of micro-finance and the diffusion of digital payment platforms across Africa. Although existing evidence based on Randomized Control Trials has shown that micro-credit has positive effects on development outcomes (Barnejee et al., 2015), these findings are highly context-specific and may vary from country to country (Deaton and Cartwright, 2016). Indeed, evidence of growing indebtedness resulting from expansion of micro-credit institutions in South Africa highlights this point (Bateman, 2014).

In spite of the foregoing, there is a coordinated international effort to formulate policies and policy frameworks by global and regional institutions in furtherance of this financialisation. These include International Financial Institutions (IFIs) and their "Maximising Finance for Development;" the G20's Compact with Africa; and initiatives set to be launched by AfDB, UNECA and NEPAD for blending local pension and sovereign wealth funds with international shadow bank actors in new markets for infrastructure financing under international Private Public Partnership (PPP) agreements for projects in Africa. More worryingly, several African governments are eagerly promoting and adopting the new instruments, measures and policies whose effect will be an even tighter incorporation into deregulated globally integrated financial markets.

All these processes have been ongoing without due recognition of alternative views and policy alternatives. To be sure, there are a number of on-going advocacy initiatives by some civil society groups. These include engagements undertaken by TWN-Africa, partner and allied African CSOs and networks in the areas of IFF, FFD, CWA, Infrastructure PPPs, Debt, Climate Finance, Trade-related Financial Services Liberalisation, and Tax Justice, especially since the Addis Ababa FFD 3 and recent scaling up of engagement of networks of International CSOs, heterodox academics and experts as the Financialisation of International Development Finance initiatives took new shape with the launch of the IFIs Maximising Finance for Development initiative and the G20s Compact with Africa in 2017. However, there is still a lack of coordinated and comprehensive strategic agenda that communicates a coherent set of alternatives to the neo-liberal approach to financing Africa's development.

Against the background of rapid and far-reaching changes in the global and African financial landscape, which threaten the capacity of African countries to generate and retain the financial and other resources in support of the structural transformation, Third World Network Africa (TWN-Africa) convened a three-day consultative workshop on Finance and Development in Africa from 19-21 February 2019 in Accra.

1.2 Objectives of the Workshop

The objectives of the workshop were to:

1) Improve understanding of the issues and challenges on the terrain of finance and development in Africa today;
2) Define priority issues and agenda for research and advocacy; and
3) Set up a platform for collaboration around this agenda.

1.3 Participation

The workshop brought together policy makers, scholars and activists from Africa, and from Europe, Asia and North America to deliberate on key issues and current developments in global financial issues, Africa's role and implications for domestic resource mobilisation. Overall, thirty-seven (37) people attended the workshop.

1.4 Structure of the meeting

The workshop combined discussions in plenary and small group discussions. After an introductory session devoted to setting the context for the discussion under the theme, "Global Finance, Domestic Resource Mobilisation and Structural Economic Transformation in Africa," the rest of the workshop was divided into three parts made up of eleven sessions. Part One was based on the theme, "Global Finance and Financialisation in Africa" and the sessions covered topics such as the Role of Finance in Development, Pathways, Forms and Instruments of Financialisation, Financialisation and Bonds Markets, and Financialisation and The Real Sector in Africa. Part Two was on the Financialisation, Macro-Economic Issues, Policies and Alternatives and covered topics included, Macro Economic Policy Financialisation: A Critique, Global Financial Governance and Regulatory Regimes, Liberation of Banking and Finance: Experiences from Africa and Global South, Issues and Experiences of Financialisation from Francophone Africa and Alternatives Approaches to Finance and Responses to Financialisation. Part Three was devoted towards forming an Agenda for African and Advocacy going forward. This last session of the workshop was a breakout session in which participants were divided into three groups to discuss the following themes: Priority/Strategic issues for Research and Advocacy, Collaborative Relationships for Research and Advocacy and Skills, Capacities and Resources to be mobilised for Research and Advocacy.

1.5 Organization of the report

The rest of this report is organized in two parts. Part II is devoted to the presentations and plenary discussions of the ten plenary sessions of the meeting. Part III presents reports of group discussions that will inform the phase of the project.

PART TWO – PRESENTATIONS AND PLENARY DISCUSSIONS

2.1 DAY ONE

2.1.1 Opening Session

Opening and welcome remarks by Yao Graham, TWN

Yao Graham opened the workshop by welcoming participants to Accra and expressing TWN-Africa's gratitude to the participants, both veteran and new for their presence and time, expressing hope to having a worthwhile meeting over the three days. He highlighted the purpose for the meeting as being a consultative workshop and not a campaign meeting to help set an agenda for finance and development in Africa. He stated that in TWN-Africa's bid to develop its policy work, it convenes such meetings to draw opinions from experts on the diverse subjects.

He pointed out the fact that even though there were commonalities between the broad global issues, some specificities always emerged among regions irrespective of the issues discussed-structural adjustments, trade and development, extractives. The objectives of the workshop were outlined as being to:

1. Improve understanding of the issues and challenges on the terrain of finance and development in Africa today;
2. Help define priority issues and agenda for research and advocacy; and
3. Set up a platform for collaboration around the agenda.

He urged participants to as much as possible limit online activities to the multiple break periods embedded in the programme so that they could focus on the discussions for a successful meeting. He then opened the floor for participants to introduce themselves and the organisations they work for and their countries of origin.

Introduction and discussion of program outline - Tetteh Hormeku

Tetteh Hormeku began by informing participants about an adjustment made to the schedule that shifted the leisure period from the afternoon to the evening of the last day. He highlighted the fact that the programme was an ambitious one that launched discussions by scholars, researchers, policymakers, and CSOs around an emerging area in Africa. Irrespective of the ambitious nature, some modesty and flexibility were allowed to incorporate salient ideas that were possibly not included in the programme.

He indicated that the focus of the programme was not so much on finance as was on financialisation; the recent developments around finance and their impacts on fund mobilisation by African countries for their development and structural transformation. He announced a problem with the programme being the unavailability of some resourceful persons like the Deputy Governor of the Central Bank of Uganda. However, those persons were successfully replaced by equally competent persons who were not listed on the original programme.

He emphasised that the most essential aspect of the programme was the part on strategising and planning the way forward which was to happen on the final day.

2.1.2 Session 1. Setting the Context: Global Finance, Domestic Resource Mobilisation and Structural Economic Transformation in Africa.

Chair: Yao Graham

Speaker: Gyekye Tanoh

Topic: Financing Africa's economic transformation in an era of financial globalization

The speaker began by the thanking participants for their presence and assuring them of learning from each other and paying attention to maximising the collaboration that they would take forward.

Turning to the topic for discussion, he indicated that convening fora to discuss finance and development in Africa though not new, is a step in the right direction. However, recent developments have motivated the conversation on the changing role of finance in Africa and thus, financialisation was the focus of the programme. This is distinct from finance which historically refers to the exchanges between different economic actors for instance, the credit relationship between buyers and suppliers in the private sector. The private exchanges have in recent times gained the support of the authority of the state through energies of finance institutions. The mix between the public system and its ability to guarantee credit and debt, and to give a stable monetary value to exchanges also constitutes finance. This relationship makes development of the system more complex.

The most important dimension of finance for the developing world, particularly in Africa is that there is a close relationship between domestic actors, the state and the banking system. Africa's financial system since the era of liberalisation has been dominated by foreign financial actors and banks and this type of association poses a threat to the system. Traditional development strategies predicted in state, domestic finance and domestic actors have changed dramatically for Africa.

Gyekye disputed the assertion that Africa has been isolated from the global financial system and will be a new area of boom to be associated with the global system. On the contrary, he argued that Africa has always been integrated into the global financial system, but the point of departure is the close relationship existing between the state and domestic actors in the financial system. No region has as much foreign ownership and control in their financial system as in Africa. And this high degree of foreign ownership has been bad for the continent because there is a negative correlation between lending to domestic economic agents and foreign investments.

The banking system in Africa is therefore, characterised by excess liquidity. Bank capital in Africa attracts the highest return of 22% and yet lends little. Moving from a bank-based system that finances productivity to a financial market model transforms the rewards of rentierism that hurts the economy.

Moving on, he highlighted that two things happen with the penetration of global finance in Africa:

1. Evolution of debt and debt crisis like high debts in Jamaica, Costa Rica, DRC changed the relationship between developing and the advanced countries after 1982. Debt became leverage for conditionality of SAPs; restructuring of economic activity to perhaps refocus on the export of raw materials for the payment of debt. These high debts also led to the shutdown of domestic industries and agricultural economies.
2. Financial globalisation is about FDI and beyond; it focuses on only one type of finance where interest bearing capital are obtained at the most commercial rates disregarding reinvestment. African states need to refocus on non-interest-bearing financing such as financing government expenditure from GDP.

As a result, a two-tier financial system exists: Secondary market –tier one; speculative and not raising any capital at all. It makes claims on the existing financial assets through securitisation. This market puts the forces of demand and supply to work in order to generate liquidity. This tier system is the most precious aspect sanctioned by the states, officials; and primary market – tier two; speculative and raising initial funds.

In summary, he noted that to transition from poor financial system means we are integrating the unequal global financial system and unequal exchange in finance to aid in the generation of resources. This would replicate the unequal exchanges between a technologically advanced world and the raw materials-dominant African market. Most countries developed on the basis of domestic finance thus, finance in Africa must link their productive sectors with domestic investments which have the potential of yielding the highest returns.

Speaker: Penelope Hawkins

Topic: Global Finance in the 21st Century: Speculation, Debt, Rentiers and Issues for Development

The speaker started her presentation by highlighting the 'Paradox of globalisation.' Globalisation is thought of being associated with flexibility, efficiency and competitiveness but in practice, highly globalised advanced countries have become brittle, sluggish and fractured. Developed countries are interconnected but this had led to negative net resource transfers to the rest of the world and the rise of the rentiers in global finance.

Penelope described different characterisations of this rentier capitalism. Rentier capitalism/corporate rentiers according to Tobin is disproportionate private rewards at the expense of social productivity. Stiglitz also describes it as rent-seeking that accumulates a greater proportion of wealth rather than seeking to create wealth. Drawing on these characterisations, she showed that in recent years, unproductive corporate rent-seeking has extended to non-financial sectors and has led to growth in the share of non-financial corporate profit. Increasing market concentration in leading sectors and lobbying is a key cause of rentier capitalism that adversely affects balance and inclusive growth in many economies. Demand for support profit is the new normal.

On the current financialisation, she spoke about the link between Quantitative Easing (QE) and what she termed 'the global debt machine.' Global debt which was about a third of GDP in 2007/2008 has reached four times global GDP. The conditions and mechanisms created by the global financial system give better insight into the rise of corporate rentierism and increasing indebtedness in developing economies. The global financial system that led to the 2007/2008 crisis still exists and continuously influences debt sustainability in developing countries.

In her view, the inclusion of developing countries has been premature and happened much quicker than expected. Flows into emerging markets has not led to increase finance, rather countries have become "indebtured." This has resulted in increased vulnerabilities, reduced policy space reflected in debt GDP, reserves, debt service ratio etc., and non-financial corporate debt in emerging countries rising faster than in mature markets.

Concluding on what should be done, she harped on a "New Deal" or a new Marshall Plan and Havana Charter characterised by speed, scale and generosity, voice and counter-balancing power, cooperation and unity. This should build on initiatives such as SDGs and the Paris Deal.

Expanding on this, she recommended moving towards a global new deal which comprises an inclusive recovery that replaces austerity with full and decent employment and enhances public investment. There is the need to expand the global fiscal space by instituting progressive taxes in economies. Another key element of the global new deal would be the existence of regulation for rentier capitalism to reverse 'friendliness' towards investors which does not help countries' capital formation. Redistribution must also be universal and structural in order to be transformative. It would also be essential to design basic income schemes to complement the provision of public services.

Discussion

Given the fact that globalisation is unavoidable, concerns about African's initiative to tackle corporate rentierism were expressed, as well as the possibility to regulate rentier capitalism. It was noted that in answering the question of regulation possibility, there was the need to determine whether there was a chance for global finance to function in a better way. Mobilisation of international directives was a starting point to presenting a global alternative to help with regulation. This required the will of both developing and developed countries. UNCTAD could only act on the regulation with G77's approval. The problem has been too much focus on nationalism rather than looking at the broader international picture.

Another important point raised was the fact that the African financial sector had become an extractive one which instigates shareholder ownership issues. Little attention had been given to shareholders of investment banks. Foreign ownership of African banks appears to be dominated by South African banks. High profitability is an issue, but national governments need to regulate these.

A real constraint in development was suggested to be the generation of real resources, however, it is not enough to raise investment. The ability to maximise benefits from the resources generated better than the present is the real issue. The way forward is to explore ways and means to develop financial systems that emphasise access to real resources. This indeed is the real constraint to growth that demands action before Africa gets trapped in the discourse imposed by global finance.

The discussion also highlighted that there was no real basis for movement of interest rate setting but that meant a leeway existed for which government action is required. To build the financial sector that delivers economic transformation, we need to establish development banks rather than financial markets. It was noted that there are political choices to be made, and the need to put in place mechanisms and incremental measures to build financial systems that work for economic transformation.

On the subject of changing domestic laws that are required to ensure value-addition, the discussion revealed that there are regulatory laws which were created to benefit some groups. There is however the need for a movement to foster the change.

2.1.3 Session 2: Role of Finance in Development – An Overview

Chair: Yao Graham

Speaker: Penelope Hawkins

Penelope started her presentation with a focus on the role of important institutions in the development of Africa. The speaker showed that current levels of public and private efforts being mobilised for the implementation of the Addis Ababa Action Agenda and SDG 1 (Agenda 2030) were insufficient. According to UNCTAD, the financing gap is estimated at $2.5 trillion yearly for developing countries. This gap requires new and additional sources of financing and a control for illicit financial flows. The irony is that in spite of this huge financing gap, there are negative net transfers from developing countries.

On the net negative resource flows out of developing countries, she indicated that this is not new. Irrespective of the data sources, you notice that there has been net negative flow for decades. What is different for Africa in the recent period (2013-2016) is that volumes of net negative flows have increased. This is probably mainly due to falling Official Development Assistance (ODA). Other contributing elements are trade mis-invoicing and tax evasion through channels such as copyrights, patents, logos and intangible offshore subsidiaries.

On the subject of ODA's role in the development agenda of countries, Penelope revealed that the annual ODA targets set by advanced countries are rarely met by most countries. ODA figures have not been reliably reported because of the inclusion of many categories such as in-donor costs, particularly refugee costs as part of ODA's operations, and also the double counting of debt relief commitments such as climate financing. In effect, ODA and other development support organisations have failed to honour their promises. The bottom line is that ODA has not done much in developing the underdeveloped world.

Consequently, she argued, developing economies are increasingly tapping into commercial markets which have opened domestic financial markets to non-resident investors and have enhanced borrowing and investing abroad. Opening the economy up to international financial markets provides quick finance but also exposes those countries to risks that may be difficult to manage. Debt burdens that seemed reasonable under favourable conditions, suddenly become unsustainable.

The presentation also highlighted that there has been profit misalignments in developed countries (tax havens) resulting from country by country reporting. Requests for public information has been turned down, and companies now have to self-declare. A passive stance to managing debt obligations and commitments can no longer be afforded. Most developing nations lack enough institutional capacity to analyse and manage these inflows because of passivity.

She argued that the best way to manage and regulate private capital (which is important) is to make use of the Belt and Road Initiative (BRI). This initiative provides alternatives to external financing but is mostly hampered by difficulties in matching BRI financing with the debt financing policies of countries and regions. This sustainable financing strategy can effectively function if principles are constituted to guide finance for development.

She intimated that the way forward is to do the following: rollback destructive global financialisation; strengthen domestic public policy spaces and capacities; and prioritise and coordinate South-South cooperation to limit counter-productive influences of global financialisation. Blended finance can leverage ODA and provide support to leverage private capital including private sector Instruments; public private partnerships, public loan guarantees, investment grants, technical assistance. The problem, however, is that there is no defined suitable structure adopted by all.

Turning to regional solutions, she indicated that they should evolve around payments and clearing systems for the promotion of intra-regional trade as an alternative to the dollar hegemony. Regional payment systems and clearing unions must function properly to harness the power of credit creation. The success of the regional payments systems depends on the willingness of developing country governments to prioritise regional interests over national development. The goal should be to reverse the current order where isolated national development strategies in a hyper-globalised world puts corporate rentierism before development.

She concluded by re-emphasising the point that the fight against corporate profiteering and other impacts of financialisation on development finance requires regional and inter-regional financial collaboration between developing countries. In the absence of reforms and new strategies to financing productivity, debt sustainability will persistently be a problem that hinders growth and development in the developing world. The better alternative to managing debt is to create a flexible network between local, national and regional financial institutions to provide credit under public control.

Discussant: Tetteh Hormeku

Tetteh's discussion was premised on the idea that domestic financial institutions needed to be structured in a way that enables them to mobilise resources when available. This means that the role of financial institutions should be the utilisation of financial instruments to mobilise domestic and foreign resources. A functioning financial system should have the ability to intermediate for long-term development purpose and channel resources to finance the real sector for the economy.

His discussion was grounded on three main questions:

- Where the resources would come from?
- What form would they take?
- What is the connection between real sector and the financial sector?

In the discussant's view, the connection between the real and financial sectors in Africa is broken, and the structure of the financial system in Africa is segregated and dual. Again, the financial duality and segregated nature of the financial system means that the systems serve different segments. Formal finance focuses on low-risk sectors, imports and export, and government. Neither of these sectors is engaged in long-term finance of real/productive investment sector. This pattern has been worsened due the reforms over the last three (3) decades (SAP and others). The "informal" sector finances large real sector however, lending to real sector is constrained by a mismatch of term structure of loans and deposits. The main problems discussed are the disjointed link between the formal and informal sector, and the segmentation of informal finance in financial intermediation. He noted that Africa may want to understudy how these problems were solved elsewhere and there was no need to absorb the informal into the formal sector, but create linkages among them. He gave the example in Taiwan where, the formal and informal finance sectors have been integrated to promote development. Effectively creating a link between the two sectors requires interest rate differentiation to deal with the problem of currency arbitrage. Formal sector companies lend to informal sector companies through real linkages. Immediate post-independence structures in some African countries such as marketing boards were able to link different sectors. However, there were some problems with the operations of these structures, but if such problems are resolved, then those initial structures and policies could be the solution to the current problems of Africa's financial systems. He reiterated that the financial sector segmentation is a reflection of real sector segmentation which is as a result of primary sector dependence in Africa.

Discussion

The discussion highlighted the essence of negotiating regional infrastructure as opposed to individual country negotiations to better finance. It was noted that the issue with blended finance was that most private sector seemed to erode individual rights. There was therefore the need to question the role of private finance in development because it turns out that corporations which carry out CSR activities do not pay taxes. Multilateral institutions such as the World Bank and the IMF continue to espouse blended finance without due considerations.

The issue of the lack of focus of programmes to promote dominant informal sector, a feature that is specific to Africa, came up with suggestions to address it in the subsequent days. The plenary discussion emphasised that the real problem was the segmentation between the formal and informal sector and how to create an integrated financial system. It also came to light that the proliferation of Micro Finance Institutions (MFIs) do not create such linkages between the various sectors. However, microfinance should not stand alone; it should be pursued in the broader context of integration of financial systems. The system fragmentation was an opportunity to diffuse financialisation through microfinance and other institutions.

The discussion also clarified the sources and possible solutions to the financial sector fragmentation. It was noted that the segmentation in finance is a reflection of fragmentation of the economy as a result of the primary commodity dependence. Finance had to be situated within the context of a broader development, industrial policy and a financial policy with its role drawn from the overall strategy for economic finance.

2.1.4 Session 3: Pathways, Forms and Instruments of Financialisation

Chair: Gyekye Tanoh

Presenter: Professor Daniela Gabor

Topic: Financialisation – 8 FAQs

Daniela began her presentation with a definition of financialisation. She defined financialisation as the creation of new assets classes and preservation of their real value to facilitate financial profits. Financialisation was essentially defined to be financial globalisation.

The presentation was organised to provide answers and insights into the following eight (8) FAQs in finance and financialisation:

1. What is financialisation?

2. Who is a speculator?
3. Which complex financial products matter?
4. Financialisation and the real economy
5. Financialisation and developing countries
6. Financialisation of international development: The Maximizing Finance for Development Agenda
7. How do MDBs serve Wall Street?
8. Leverage points to oppose MFD

What is financialisation?
Financialisation is the organisation of economic and social life that secures maximum accumulation for rentiers at the expense of equitable wealth and income distribution. Financialisation is across borders, currencies and regulatory regimes. The nature of high-income countries that supports global financialisation is that welfare states are being squeezed, asset-based welfare is replacing collective ways of provisioning for the future, tax revolt of the elite, and austerity-driven shift to private finance. All these trends are deliberate political choices.

Who is a Speculator?
A speculator is the opposite of patient investors like pension funds. The changing nature of finance is gradually revealing a blurring of the line between patient investors and speculative investors. This is altering traditional banking of deposit taking and provision of credit towards creating market securities, derivatives and wholesale funding.

Which financial instruments matter?
Financial globalisation system is characterised by security markets, wholesale money (repo) markets, and hedge/derivatives markets. Corporate investors can easily move in and out of securities markets underlined by wholesale and derivative markets, leveraging on the financial structure of the economy. Loans of traditional banks are transformed through securitisation into securities; and this is important for sustainable infrastructure sustainability of the World Bank. The implications of financialisation are that financial systems become more complex in terms of actors and instruments.

Financialisation and the real economy?
Fast extraction of resources from the real economy, leverage asset bubbles, hot capital flows, and global financial cycles in banks where changes in financial conditions of major economies like the US tend to affect other economies.

Financialisation in developing countries
Financialisation in developing countries could be characterised as dependent financialisation. Developing countries are depending on financialisation to find answers to political problems: through global banks, and now through global shadow banks. This changes the pattern of trading on currency interbank commodities, securities markets. The downside of dependent financialisation is the loss of control of domestic monetary policy because of global factors in determining the terms of availability and price of credit.

Financialisation of international development: the MFD agenda?
There has been a gradual shift from ODA to more financialisation. Portfolio flows seems to be replacing development aid in the age of financialisation. The Maximising Finance for Development (MFD) agenda creates investable opportunities in poor countries that can attract trillions of global

institutional investors. The most important innovation to development finance is the kind of sustainability framework that is characterised by the Environment, Social and Governance (ESG) criteria that channels the funds accumulated from the investors into solving Environmental, Social and Governance problems.

Mechanisms through which MDBs serve Wall Street?
The Maximizing Finance for Development agenda and its cascade approach are re-imagining and re-engineering Multilateral Development Banks (MDBs) like the AfDB and ADB, as active agents in financialisation. There is an on-going collaboration between MDBs and local governments to provide subsidies and guarantees to create financial instruments that align risks and returns for investors. This collaboration is building market architecture that allows investor mobility within securities markets. A disadvantage with the MFD agenda for developing economies is that the MDB will have the ability to influence the terms on which securities and securitisation processes are defined, to increase their lending capacities so that pooled developing countries' resources will be put on the line to guarantee private investor profits.

Leverage points to fight financialisation?
Key points to fight financialisation include; 1) tax justice which may be difficult politically, 2) insist that no fiscal resources are mobilised for private sector finance without accountability and transparency, 3) fight for a public rather than a private ESG framework, 4) resist MFD framework as it shrinks developmental spaces and revert to policy-engineered industrialisation.

Presenter: Professor Sarah Bracking

Pathways of Financialisation in Africa

Professor Bracking's presentation highlighted some channels through which financialisation occur in Africa. Starting with the roots of financialisation she indicated that Structural Adjustment laid the foundation for informalisation and criminalisation at all levels at different scales. Many assets in developing countries and developed countries are now vertically linked to offshore spaces and corruption, and current global processes of financialisation are linked to national processes of accumulation through dispossession and displacement.

Financialisation of power processes also acts to repurpose political systems to service this extractive financialisation. This leads to corruption, illicit financial flows and state capture at national scale. New forms of private sector corruption are also part of this repurposing.

She highlighted two main pathways to financialisation, namely:

- Crisis and Informality
  Political crises in countries like Zimbabwe, Congo, Cameroon, Sierra Leone and Somalia led to economic informality and growth of inflation. Such political crises became 'instruments of disorder' and chaos, which are organised for survival and accumulation. People are deliberately displaced, businesses and assets are destroyed or seized, and the Politically Exposed Persons (PEPs) and High Net Worth Individuals (HNWIs) export their wealth offshore as a result of the crises. The consequence of political crisis is financial displacement and wealth migration in affected nations.

- Political economy of displacement: business as usual 'Displaced' wealth goes to no other place, but slips back into the 'normal' economy, which is well suited to accommodate the process of dispossession and financial displacement. This process is also aided by violence, theft, corruption and economic fraud with key industrial strategies also contributing to the process; inverted company structures, transfer pricing, multiple accounts, offshore accounts and record keeping. The consequence of financialisation is illicit financial flows that is facilitated by the offshore economy. The scale of the loss through these paths are high. Sub-Saharan Africa lost over $528 billion between 2002 and 2013 due to trade mis-invoicing which was almost twice the FDI inflows ($284 billion) to Africa during the same period.

She concluded with some policy solutions to financialisation which were suggested to include a contributory system of tax to eradicate the purpose of tax havens, and a mandated national domicile for foreign trade partners.

Discussion

The issue of valuation of continuously appreciating assets was addressed by the plenary. It was noted that economic surpluses emanated from productive activities and the state intervened whenever the value of financial assets fell. All economic value comes from the capital relation rather than the labour relation. Hence, growth in asset management is a reflection of how things can be valued in relation to capital. How to have a continuous divergence (even in the absence of government intervention) between the value of financial assets and real wealth is the real problem.

The plenary also highlighted additional pathways for financialisation such as using capitalism to validate the relationship through privatisation in sectors like education and health; States handing over resources, for example, spectrum to be auctioned and converted into assets that generate wealth; generation of completely new assets through the privatisation of water, forests and other resources. It was also noted that financialisation involves producing new assets and preserving the real wealth for financiers.

Given that the current system is characterised by an opaque global financial system that lacks effective regulation, concerns came up as to whether the proposed solutions to financialisation would effectively address the issue. The plenary suggested the need to democratise finance because there is an imaginary from powerful people who own wealth and so they privatise assets with few owners, whereas assets could be privatised into community ownership, cooperatives, and mutual ownership. Another suggestion was to develop contributory tax systems which apply to firms that work in more than one European country to distribute taxes to the different countries in which they operate.

Other issues that came up during the discussion included the fact that the source of value created by the financial sector is in the ability of private finance to generate leverage. The role of intra-financial activities in creating value was also essential. It was however pointed out that the discussion had not developed any narrative as to whether institutional evolution that back stops financial assets pricing was good or bad.

2.1.5 Session 4: Financialisation and Bond Markets

Chair: Chafik Ben Rouine

Presenter: Professor C. P. Chandrasekhar

Topic: Evolutions in International Bond Markets & Developing and Emerging Economies

Prof. Chandrasekhar began by stating that bonds had become a way in which finance penetrates several other aspects of an economy. He posed the question, "Why bond markets?" He argued that the issue with bond markets was not whether they were good, but the implications of their emergence and growth should be of concern. Bonds with liquid secondary markets provide alternative long-term financing without mismatch of liquidity and maturity. The issue in most developing countries is that bond markets tend to be small and skewed. Most countries have no markets for corporate bonds, and bonds for financing infrastructure are underdeveloped. Domestic bond markets are multiples of international bonds for most countries. Credit still dominates bond markets.

Turning to the problem with developing country bonds, he argued that bond markets in developing countries are not a process of evolutionary emergence along with development and associated financial complexity. An attempt to generate bond markets would be through an accommodative or proactive state policy. The process first involves the marketisation of government securities and then the creation of a market for financial and non-financial corporate bonds.

In addition, governments expanded sources of funding through issues of international bonds to get new investment targets for finance capital and serve the need for a benchmark rate for a low risk instrument. All these and other neo-liberalism fiscal targets led to the contraction of the market size.

On the issue of corporate bond, he indicated that corporate bond markets have been considered essential to closing the gap of long-term finance in developing countries. In many developing countries, weak corporate bond markets have emerged; their sizes are small and grow slowly, only highly rated companies can mobilise such funds. It is difficult to get funding for infrastructure projects with long gestation gaps and lumpy investments. Another problem with the corporate bond markets is that company-specific rather than project-specific bonds are issued.

Growth often occurs through layering which involves non-bank finance companies issuing bonds which are then purchased by banks and financial investors. These bonds usually have shorter maturity than investments they help finance. This makes roll-over of debt crucial and a deterioration of the environment triggering a liquidity squeeze.

Concluding on measures that drive corporate bond markets, he suggested that the acquisition of corporate and government securities be made easier by eliminating intermediaries like brokers; considering bonds to be collateral to increase bond liquidity; encouraging local currency bonds on foreign markets and allowing banks to issue bonds to mobilise funds for infrastructure; making bonds less risky by launching Partial Credit Enhancement (PCE). Under this system, banks provide PCE to bonds issued by corporate entities and special purpose vehicle. Governments' approach to expanding the bond market is through an engineered market which makes the banking system absorb most of the risk to support long term investments. Growth of the bond markets are thus engineered by these processes.

Presenter: Fanwell Bokosi

Africa in the International Bond Market

Fanwell started his presentation by tracing the history of Africa's participation in the international bond market. He indicated that South Africa was the only African country that issued Eurobonds before 2006, Seychelles made an issue of $200 million in 2006, and Ghana also issued Eurobonds worth $750 million in October 2007. In January 2019, twenty African countries had $92 billion outstanding sovereign Eurobonds. He indicated that the issuance of these bonds was considered by politicians as a sign of progress. All bonds issued by African countries were over-subscribed, due to the oversupply of capital, following the global financial crises and the demand for huge infrastructure projects by African governments to win elections. Since 2008, the volume of external borrowing has been increasing rapidly (in hard currency- 89% in USD & 11% in Euros). More than half (53%) of these debts have yields greater than 7% (concessional loans 5%). In countries like Senegal, Ivory Coast, Gabon and Zambia, the value of bonds exceeds 10% of GDP with implications of reduced primary commodities prices.

He then highlighted four forces in 2018 that should be of concern to Africa:

- The rising Dollar.
- The Fed raising US rates.
- Trade tensions.
- Concerns about global growth and growth of China.

Elucidating these points, he indicated that yields on African bonds were 2.9 percentage points higher than the rest of the world which is known as the African premium (skin tax). The average yield on Eurobonds increased from 5.3% in 2010 to 7.4% in 2018.

He concluded by noting four risks to international borrowing: 1) Exchange rate risk, 2) Credit risk; borrowing to repay past borrowing, debt distress, corruption, 3) Interest rate risk; small risk as 96% are on fixed rate but does determine most domestic interest rate and, 4) Susceptibility to external shocks.

Presenter: Mariama Williams

Topic: Financing Climate Change in African Countries: From Climate finance to Green Bonds – Myths and Realities

Mariama started her presentation with a discussion of Green Bonds. She opined that while countries can have different definitions for Green bonds, the main differentiating factor is environmental stewardship. The principles underpinning Green bonds facilitate guidance and transparency of environmental, social and governance improvement projects. Such projects include renewable energy and energy efficiency projects, clean public transportation, pollution prevention and control, sustainable water and green buildings that meet international standards and certifications. These bonds function under Environmental and Social Governance (ESG) guidelines/frameworks. Green bonds are relatively small, but are growing worldwide and picked up speed in Africa.

Tracing its history, she indicated that Green bonds were first issued in 2007 by the European Investment Bank (EIB) to raise funds for the reduction of carbon emissions and to create climate awareness. Total yearly issuance of Green bonds from 2007-2009 was $1 billion. They are driven by the Paris Agreement and the National Determined Contributions (NDCs) and are limited to industry issuers under the scope of global carbon regulation. The primary actors in the market are the issuers who need the funds; underwriters who are the financial institutions mediating the issuance, external reviewers and investors who are the providers of funds for green assets.

Turning next to challenges with Green bonds, she indicated that 'greenwashing' – a process through which entities misappropriate the proceeds of the sale of green bonds for other projects has been the main risk. She added that there is the absence of regulations or impact specifications guiding the use of borrowed funds. These are compounded by issues around data comparability, reporting formats and contents, frameworks and impact reporting as well as controversy on the integrity of environmental and climate projects emerge. Other pertinent issues evolve around fiscal or tax incentive (subsidies, exemptions, tax credit) and preferential treatment of green bonds in monetary regulation.

- African and Green bonds

In terms of Africa, she indicated that Green bonds are relatively recent, small and thin and are mostly issued by Development Finance Institutions (DFIs). Countries such as Nigeria in 2016 certified climate bonds and together with Kenya is seeking to have green bond markets. South Africa's Johannesburg Stock Exchange has a segment for GBs. Fifty-four (54) African countries signed the Paris Agreement and all but Libya have submitted their Nationally Determined Contributions (NDCs) and 43 have ratified the agreement. Climate bonds are seen as a means to finance discrepancy in financing need to tackle climate change. Too many countries are borrowing for climate adaptation.

Concluding, she indicated that the Green Climate Fund (GCF) considers Africa as a priority region to which half ($2.3 billion) of all its funding have been channelled to 36 projects, 15 of which are being implemented. According to the fund, 76 grants worth $39.4 million have been approved in

Africa but since 2015, no African country has fully utilised its yearly grant of $1 million. This is an indication that African governments are not taking advantage of GCF's resources for adaptation and readiness with or without green bonds.

Discussion

The plenary discussion also focused on further clarifications of potential for the use of bonds. It was explained that bonds are issued and traded by syndicate companies and are therefore not traded on the open market as the name suggests. Most bonds are private placements and only highly successful companies can purchase them. Accessing 'Green bonds' comes in two levels. The first mostly involves small projects (readiness fund) which make it easier to obtain. This level provides $1 million per year through a delivery partner by submitting proposals in which they can nominate companies or ministries. For larger amounts, international organisations like the World Bank and the UNDP function as delivery partners. The bigger projects are more difficult to access.

It was therefore suggested that until economies are well diversified, African countries should probably focus on domestic bonds because of risk commodity dependence rather than the possibility of domestic (local currency) bonds.

The discussion noted that the higher interest rates of borrowing from bond markets make them less viable for some long-term projects. It was suggested that perhaps Africa needed some form of specialized finance. It was however stated that it would be problematic to substitute bond markets for specialised forms of finance even if these bonds are probably better sources of finance than banks. On the need for regional bonds, it was highlighted that regional initiatives could be successful, but it has only been previously done by advanced countries. Perhaps countries should focus on other areas of regional cooperation on financing such as swaps within regions.

The debate about debt is still ongoing but people seem not to worry about where the money comes from and less concerned about who will pay the debt. It is for such reasons that government debt has become increasingly acceptable.

Environmental and social safeguards influence the decisions about projects to invest in with funds generated from issuing green bonds. Project considerations also include meeting conditions on gender, indigenous people, and are largely similar to conditions people refer to when talking about sustainability. A lot of investment banks, private wealth funds, development banks and interested groups are beginning to work on environmental safeguards. There is scepticism about green/climate bonds; no discussions with local people and civil society organisations on adaptation measures. Hence the discussion at macro-level loses the consultation with local people. Green bond promoters are also doing everything possible to prevent regulators.

2.2 DAY TWO

2.2.1 Session 5: Financialisation and the Real Sector in Africa

Presenter: Mamadou Goita
Topic: Mining & Extractives
Mamadou commenced his presentation with a brief history of financialisation in the extractives sector of Africa. He indicated that significant financialisation of the extractive sector began in the year 2000. The financialisation of the extractives sector occurred both upstream and downstream and affected the capacity to mobilise requisite resources for domestic transformation. The period

was characterised by the privatisation of mining companies and the emergence of debt management theories. Countries carried out significant reforms in the form of amendment of mining codes to enable prioritisation of extractive industries. They were largely motivated by quests for more profits, leading to the rise of short-termism. Multinational Corporations (MNCs) thus became more prevalent in the mining and extractive sectors.

He indicated that financialisation has been going on in a context of weaknesses in public policy and capacity, and an inadequate institutional and regulatory environment. Central banks on the continent have also played a role in this, through measures such as withdrawal from its role in resource mobilisation, and price and exchange rate management. The nature of employment creation and the changes in monetary and fiscal policy environments have had negative impacts on finances especially in the mining boom era.

Financialisation affected the mode of management of firms in the extractives. It has exacerbated price volatility in the sector. There has also been a financialisation of taxes and penetration into the international markets became difficult. Several firms are now managed on the international financial market which affects the distribution of benefits from extractives.

Intensification of value creation among shareholders and changes in mining codes also exacerbated this problem. Shareholding structure changed in favour of foreign firms and the price received by domestic governments is always manipulated. Price volatility has also been exacerbated by the current financialisation, leading to reduction in income and share of incomes of government tax payments. All of these have led to low domestic resource mobilisation. Finally, economic policy has become dominated by debt management and this has further affected the capacity of governments to mobilise domestic revenue.

Presenter: Arthur Muliro
Topic: Agriculture and food
Arthur's presentation focused on agriculture as a smallholder industry in Africa. This smallholder model as he pointed out is under severe attack due to low incomes of the holders and lack of investment. He emphasised the need to grow smallholder agriculture because of its role in Africa's economic transformation. Africa is supposedly experiencing its own green revolution which involves the use of agrochemicals, irrigation, improved seeds, and new methods of farm management to significantly improve agriculture. However, the real problems of small holder farmers – storage and access to markets for their produce – have been ignored.

He pointed out that financialisation in the agriculture sector has taken several forms. Industrial farm lobby, driven by large MNCs, are lobbying for changes in national laws for their benefit. Organisations such as Bill & Melinda Gates Foundation and AGRA have played roles in this. Financialisation in agriculture changes in the entire character of foods systems with new actors determining prices. Consumption habits are also being altered to processed food against natural healthy diets with the help of huge advertising machines. These dynamics are shifting policy and aggregate food and nutrition in African economies. Consequently, there is a disconnect between growing urban consumption of imported food and domestic food production.

He called for a re-examination of the role of finance in food systems. Food prices are becoming more foreign determined and more volatile. Agriculture is being transformed through the dispossession of land from owners and emerging laws that are unfavourable for farmers. Introduction of genetic resources generated and packaged into intellectual properties owned by foreign genetic firms (like happens in pharmaceutical industries where hedge funds and other fund managers determine/control prices) has shifted decision-making power to obscure players in global financing, facilitating dispossession of land from legitimate owners in collusion/collaboration with local elites.

Concluding on the way forward, he suggested that the kind of agriculture that is to be promoted is one that has climate change, health and nutrition considerations. This requires reinforcing the role of the state in supporting smallholder farmers against foreign interests and connecting primary production to extractives and other sectors, and recognising the damaging role of financialisation on economic lives. Since African governments on their own are unlikely to act to make change, citizens and civil society organisations need to forcefully demand action and change.

Presenter: Professor Sarah Bracking
Topic: Manufacturing and Services
Prof. Bracking stated that finance for manufacturing and services came from the dark pool spaces outside main exchanges. Finance in these sectors is interested in large blue-chip manufacture and services ventures. They take the form of intellectual properties and patents and exist not as singular entities but mosaic of themselves to minimise taxes. This is facilitated by the use of special purpose vehicles in tax havens, managed by highly paid fund managers. These entities enter companies as AAA investors but after a few years, withdraw their moneys and then dissolve the entity to hide any traces of any negative impacts of their investments. This type of investment is an expensive one for domestic investors.

Rich Africans are participating in this through 'round-tripping' where wealth that is illegal transferred offshore is returned as FDIs with no taxes and at higher rates of return because of changes in laws governing FDIs. The financial system is such that foreigners seem to get preferential treatment and the domestic investors who are not engaged in 'round-tripping' get lower rates of return. The preferred mode of investment for the special purpose vehicles however is PPP in infrastructure rather than in manufacturing.

The consequence of such a financial system is 'Gigantism' (investment in infrastructure and energy) which is motivated by the desire to earn higher returns through the special purpose vehicles. The process leads to the financing of investment projects that are probably not the most relevant projects. A prime example of this is building a 79,000-seater stadium for the 2010 FIFA World Cup in South Africa, when the most competitive matches in Durban only hosts about 15,000 spectators at the end of the season. These are further complemented by popularity of infrastructure spending to power-hungry politicians.

Another element is tax havens in countries like Botswana which encourage offshore investments. This is ultimately a political choice and our governments simply choose to go along with such structures.

Discussion

The discussion highlighted the fact that there has been no fundamental change in financialisation of commodities since 2008, but the system is getting smarter, camouflaging and co-opting for additional strategic actors.

The discussions also indicated that the agenda of sustainable finance for sustainable development has been the motivation behind the use of special purpose vehicles. The discussion however suggested infrastructure gaps do not exist but are made up just to entice people to borrow from these vehicles.

The plenary discussion further highlighted the role of speculative capital in financialisation in the extractive sector. These speculations and future income streams are supported by the privatisation and dismantling of state institutions, for instance, the meteorological services. The weakening of the capacity of the state has also facilitated the activities of speculators.

The discussion also noted that resorting to debt financing can result in rapid depreciation of mineral reserves. An example is the take-over of Obuasi mines by AngloGold Ashanti and its subsequent shut down in 2014, which had nothing to do with profitability. Sometimes mines are strategically closed down to avoid cleaning up costs. Also, the role of tax agreements as the gateway of investment cannot be underplayed particularly in the extractive sector. Another dimension is intensive overexploitation of resources over a short period without payment of requisite taxes.

There are experiences from mobilising the public for action in West Africa on the citizens' Caravan against land grabbing that was aided by governments. However, beyond public action, citizens need to understand that our consumption and lifestyles are being affected by underdevelopment. The entire African citizenry need to get involved and not be detached from the fight for economic development.

2.2.2 Session 6: Macro Economic Policy Financialisation: A Critique

Chair: Mariama Williams

Presenter: Gamal Ibrahim

The speaker began his presentation with a quote from Professor Joan Robinson "where enterprise leads, finance follows." Therefore, the development of the financial sector does not lead to growth but rather follows growth. Marxists believe that a systematic transformation of capitalism now exists where large corporations have adequate financial capacity, bankers have extended their services to mediating activities in open finance, and even households have increasingly become involved in finance.

The presentation was organised into three (3) blocks:

1. Where are we?
2. Impact of this and what macro framework should we have.
3. This cannot be done at the national level but requires regional and international action.

On the question, where are we? Gamal intimated that the Addis Abba Action Agenda moved the discussion on debt beyond mobilisation of resource by linking it with Africa's development financing needs. The debate overemphasised the role of private capital for development with little emphasis on issues of accountability and transparency. The implications of policy regimes for structural transformation in Africa can be linked to the global financial crisis of 2007/2008. This emanated from neo-liberalism and led to the crisis of sustainability. It was noted that there is the need for a coherent macroeconomic framework to foster inclusive growth in the current global environment of weak global demand and falling commodity prices.

On the second block of the required macroeconomic framework as engine for transformation, Gamal indicated that lessons need to be learned from development planning of 1960-1979 to IFIs of 1980-1999. This framework will create productive assets for economic transformation. The speaker highlighted the role of fiscal policy in the transformation process through the mobilisation and management of resources, creation of productive assets, promotion of inclusive growth, provision of fiscal investment incentives, and recognition of the structure of economy (dominance of informal sector). He however emphasised the need to build a coherent macroeconomic framework beyond fiscal policies that links growth, investment, finance, development and trade. Africa needs a growth-enhanced governance framework as well as the right leadership. The framework should address the issue of tax avoidance but also increase the fiscal space by enhancing tax administration and addressing the issue of IFFs.

On monetary policy, he suggested that central banks need to redirect their efforts from inflation, targeting more developmental aims of growing employment and ensuring stability. Monetary policy alone is not enough to create the financial stability Africa needs. The development and stability of the financial system requires growth from strong financial sectors. There is also the need for growth-enhancing financial inclusion linked to the development of capacity of local financial institutions, not the variant promoted by neo-liberal ideology. Africa also needs a community development finance not just financial inclusion. The success of these is anchored on drawing development plans with financing framework to draw out priorities and give direction.

Finally, on the third issue of regional dimension, he argued that policy space should not be restricted to national level but also regional dimension. There is also a role for more South-South in setting the global development agenda. Or at least there should be an alternative development agenda for the South.

Gamal concluded his presentation with the following questions for reflection:

Can we define an African model of developmental state? And who are the main actors and their roles?
How should the countries of the South define their role in global political economy and How South-South cooperation will advance agenda 2063?

Discussion
Much of the discussion focused on the appropriate role of the central banks in the transformation agenda. The following questions were posed: What is the role of central banks and how do we link them to the new African states? What reforms can we envisage about the role of central banks and how do we reform AfDB to make this bank serve the African goals? What roles do the UN play? In the ensuing discussion, it was highlighted that we should not look at the issue of the role of central banks in isolation, rather, we have to start with the objectives of the state and the roles we want to define for various institutions. But this discussion requires the regional as well as political will.

The plenary also discussed the relevance of the Asian model to the current African context. Many were of the opinion that the issue of the example of Asian model is overplayed. The historical, political and social contexts are very different from those countries. For example, in terms of homogeneity of populations and colonialism, the stories differ.

2.2.3 Session 7: Global Financial Governance and Regulatory Regimes

CHAIR: Alvin Mosioma

Presenter: Myriam Vander Stichele

Topic: International Financial Governance & Regulatory Regimes

Myriam started her presentation by outlining the principles governing the global financial system;

- No international binding agreements compare with trade and investment treaties.
- There are international fora for political decisions and official standard settings.
- UN is out of the finance issues.
- The financial sector is highly involved at all governance levels.
- A lot of self-governance exists in the financial sector.
- Central banks or other financial institutions are not obligated to finance socially and environmentally sustainable activities.

On Africa's role in Governance, she indicated that Africa is not part of the multilateral decision-making body. Only South Africa is part of the 60-member Bank for International Settlements (BIS). The G20 ministers take the most important decisions that affect the world and only South Africa is a member of this body (with another African country as a guest). G20 dispatches work to other bodies (FSB, BCBS, OECD, WTO, IMF, IOSCO) and only rubber stamps agreements and standards. Again, South Africa is the only African member of the Financial Stability Board (FSB) that coordinates at the international level, the work of national financial authorities and international standard-setting bodies. The FSB builds resilient non-bank financial intermediation also called shadow banking. Governance is highly scattered with Africa having little representation on various institutions.

Turning to international standard setting bodies, she identified the following bodies and the role of African countries:

- Basel committee on banking supervision; core principles for effective banking supervision. The committee has 28 members, only South Africa reserve bank is member.
- International Association of Insurance Supervisors (IAIA) has fair amount of African membership; Conférence Interafricaine des Marchés d'Assurances (CIMA), Botswana, Burundi, Cape Verde, Congo (Democratic Republic of the Congo) Egypt, Ghana (National Insurance Commission), Guinea, Kenya, Lesotho, Malawi, Mauritius, Mozambique, Namibia, Nigeria, Rwanda, South Africa, Swaziland, Tanzania, Tunisia, Uganda, Zambia.
- International Organization of Securities Commissions (IOSCO) focuses on securities regulation.
- UN: UNCTAD has become a consensus building and monitoring organisation for FDIs and BITs.

- African cooperation mechanisms include SADCC, WAMU, CIMA, CBWAS

Legally binding agreements

Finally, on legally binding agreements, she indicated that these agreements protect foreign banks and the Financial Services Industry (FSI) which are often profit-oriented rather than development oriented. Such agreements include investment protection agreements (BITs, RIAs), trade agreements, allowance of no or little capital controls by trade and investment agreements.

She ended her presentation by enumerating important players in African financialisation:

- Bonds and debt that are often governed by laws in the UK and US.
- Global investment banks.
- Trading of African bonds.
- Investment funds, asset managers, and related services.
- Hedge funds and private equity.
- Credit rating agencies.
- Commodity derivatives trading.

Discussion

Responding to a question about the role of the UN in the global governance, Myriam, indicated that the UN has fought and now has a seat in the G20 discussions of issues of finance. She however indicated that there is systematic exclusion of African countries in governance of global finance and that South Africa's membership on BIS was an accident of personal knowledge. At BIS some banks were fighting/competing to protect their own institutions, so we cannot trust that these existing structures properly regulate or supervise the sector. Most so-called international organisations are North American or Europe.

The discussion also highlighted that domestic regulators are being forced to implement voluntary guidelines on financial regulations through their associations with the IMF or the WB.

2.2.4 Session 8: Liberalisation of Banking and Finance: Experience from Africa and the Global South

Chair: Yao Graham

Presenter: Karen Akiwumi-Tanoh

Karen's presentation focused on Ghana's on-going financial crisis. She indicated that in general, economic and financial crises can be cyclical. What is required is taking heed and taking decisive actions to minimise the negative effects.

Recounting the recent economic and financial crises in Ghana, she indicated that while the crisis was brewing, on average two banks enter the industry annually. Both turnover and staff costs in the financial sector have increased. At behest of World Bank, the Bank of Ghana commissioned a study of the banking system. From this, four new directives were issued by the central bank; a capital directive, corporate governance directive, fit and proper directive.

She indicated that the reforms have been largely effective in identifying weaknesses of the banking system. The banking system profile has changed and SOE banks increased from 3 to 6. 5% of GDP as current cost of the clean-up. Public confidence is low and has downstream effects on Savings and Loans and Micro Finance Institutions.

Concluding, she indicated that continuous assessment rather than periodic sectoral review is the way to go and suggested changes are required for this to happen. By design the banking model encourages short term funding to match short term deposits. This model is ideal for trading and commerce and is of little use for long-term development finance. She concluded with two important questions;

- How do we safely provide long-term funding?
- How do we make banking system fit for the development purpose?

Presenter: Charles Abugre

Charles noted that the banking and finance sectors (including the insurance) have seen the most liberalisation, together with extractives. As part of these reforms, development banks converted to commercial banks, and capital requirements rose. This led to an increasing disconnect between the financial sector and the real sector such that banks now hardly lend to the real sector. They mostly focus profits from government sectors. Profits in the banking sector grew yet the percentage of credit to the private sector stagnated. The state benefits from banking resources even as banks benefited from generous taxation.

Over time the banking sector crises have been emerging in Ghana and the costs have been borne by the state. Growth of credit coincided with commodity booms. Banking sector crises also reflect per capita income. Wealth concentration has been growing.

There are also political explanations for the financial sector crises. There is a difficulty in merging the interests of regulators and political authorities. The banking sector needs a serious national conversation about its role in development, not just a bail out. Stock markets have also grown significantly since 2005 but sizes are small, fragmented and have weak connections to other sectors of the economy. Biggest beneficiaries of the securities sector are the government sectors whereas the security sector is the benefactor of ongoing securitisation of commodities, increasing securitisation of commodities.

Presenter: Professor C. P. Chandrasekhar

Prof. Chandrasekhar started by highlighting the striking similarity of financialisation in the South. The Anglo-Saxon model has prescription of the appropriate financial system to bring efficiency in financial markets. This explains the meaning of financial liberalisation which includes competition among the deposit-taking institutions to attract funds and allocate them to highest yielding investments. This allows for risk pooling and sharing. Several countries agreed to go with this model because of the desire to attract and take advantage of international capital.

He contrasted the system with the Import Substitution Industrialisation (ISI) in which the state mostly retained some control over this system through ownership of development banks. The objectives were:

- To use the financial system to promote growth
- To make growth inclusive and across-several sectors.
- To not undermine the financial system in the economy. Regulation was important in achieving this third objective.

Concluding, he indicated that retail lending is increasing because they can be easily securitised, lending to sectors where the state has interests in, with the understanding that the government will disallow its collapse, for instance infrastructure. Ultimately, this creates a system where growth is not financed but the financial system becomes more unstable.

Discussion

The plenary discussed the role of employment in these financial systems under the new regime of financialisation. The issue of the emergence of short-term contracting that negatively affects the development of trade unions as part of financialisation came up. Even though it was indicated that short-term contracts account for a small fraction of employment contracts, governments can take a position on this. Indeed, the issue of informalisation of the workforce is not specific to the banking sector. The bigger issue is that the rescue of banks did not include any clauses about the protection of worker.

The discussion also highlighted the role of foreign banks. It was noted that some of the older foreign banks are exiting. New banks are forming up in the midst of crisis because of political influences that are compromised by local domestic interests view. Regulatory failures are a big part of the problem especially, at the lower level financial institutions (Savings and Loans, Micro-Finance Institutions, Rural and Community Banks). Part of the regulatory issues has to do with increasing complexity and bundling of different aspects of financial systems. Regulation has to be situated within the broader context of the training background of these regulators, most of them being transplanted from the IMF and their ethos of the regulations.

Finally, the discussion highlighted the mismatch between the economic structure of African countries and the financial structure. It was acknowledged that the current structure of banking will not solve Africa's problems and therefore the re-introduction of development banks needs to be considered. The issue is how to design these development banks, given their peculiar regulation. How should development finance institutions/banks be structured and how do we situate them in the broader banking system?

2.2.5 Session 9: Issues and Experiences for Financialisation from Francophone Africa

Chair: Ikal Ange'Lei

Presenter: Ndongo Sylla

Ndongo focused his presentation on 14 out of the 21 francophone African countries since those countries still transact with the Franc CFA. He described the current CFA arrangement as a marriage between monetary colonialism and financialisation of the 21st century.

Tracing the history of the Franc CFA; the speaker indicated that was created in 1945 by the French Finance Ministry. He enumerated four working principles of the arrangement:

- Fixed peg to the French currency.
- Free capital and income transfer within the Franc zone.
- Guarantee convertibility of the franc CFA by French Treasury.
- Centralization of foreign exchange reserves.

The arrangement implies that two major decisions about monetary policy are ceded to France (and now the EU through the Euro): 1) maintain fixed peg and rate of inflation lower than 3% and 2) maintain operations account in surplus with total foreign exchange fixed at 20% of monetary base.

On the banking within the CFA, he opined that the banking landscape of WAMU is low and lacks adequate finance for development. Bank credit to GDP is low compared to their peers, and Senegal and Ivory Coast receive most of the credit in WAMU.

He indicated that there is relative stability in the currency but this comes at the cost of lack of flexibility which removes any scope for adjustments. Rationing of bank credit within the zone hinders economic growth. Pegging currency to the Euro has undermined competitiveness and as such countries are always in trade deficits. This leads to poverty and underdevelopment.

Financialisation in WAMU

Turning to financialisation in WAMU, he argued that the nature of the financial institutions in the region has increased interest among international investors because sovereign debt levels are lower in the WAMU areas. Financialisaton is also occurring at the micro level through FINTECH and microfinance institutions.

Presenter: Chafik Ben Rouine

Chafik began his presentation on financialisation in Tunisia by focusing on illicit financial flows. He pointed to a recent UN study which has revealed that Tunisia is the leading source of illicit flows among Arab countries.

He then turned to Public Private Partnerships (PPPs), intimating that they are essentially derivatives. The reality of such arrangements is that the government takes the risk but profits are privatised. The ownership structure of such agreements is such that 38 percent is owned by government, a third by private domestic investors, and foreign investors own the remainder. Capacity for self-funding has dropped substantially so reliance is increasingly on foreign financing through the World Bank. The cost of such loans is not just in terms of the interest rate, but there are also costs from the forced liberalisation.

On the role of central banks, he indicated that there are laws that govern independence of the Central Bank. The law only prohibits direct lending to the government but indirectly the Central Bank funds the government through the issuance of treasury bills.

He concluded on measures that have been put in place to deal with financialisation. He indicated that laws have been passed to stop non-resident enterprises from repatriating profits in order to boost exports. There is also a national agricultural bank that plays a social role as well as financing role. The Tunisia Bank of Industry has also been established to engage in heavy industry and a

National Housing Bank has also been set up by the government. Regional banks have recently had discussions to ensure fairness in the regional distribution of funds. There are still laws on interest rate setting. The IMF is doing its best to liberalise interest rates but there is resistance. Banks cannot lend more than two percentage points of the primary rate.

Discussion

Q: Is there a sense that the CFA arrangement will be reformed to remove the French control.

The issue of whether and how to reform that CFA arrangement came up for discussion. It was indicated that the issue of the reformation of the CFA to remove French control on the CFA countries was significant because French guarantee of the currency exist only in name.

Q: What is the savings rate in the WAMU region relative to other countries, and what role does the currency union play in this?

The sovereignty of countries under WAMU came up for discussion. The conclusion was that there is no real sovereignty under WAMU, only some nationalists talk about sovereignty. This is hindering integration within the West African sub region. Necessary pressure is needed for this situation to change.

2.2.6. Session 10: Alternative Approaches to Finance and Responses to Financialisation

Chair: Mamadou Goita

Presenter: Tetteh Hormeku
Topic: Rethinking Domestic Resource Mobilization
Tetteh began his presentation by attempting to clarify the distinction between resource mobilisation and instruments of resource mobilisation. He indicated that while savings and taxation are important instruments for domestic resources mobilisation, they do not precisely constitute resource mobilisation. Each of the two is simply a way of mobilising resources.

He sought to broaden the discussions on domestic resources, their forms and sources, and the challenges involved in mobilising these resources. The creation and distribution of wealth in the form of economic surplus or social surplus is an essential source of resources. Every society generates much more wealth than they need to survive under capitalism which has become commercial. Social and class relationships affect the generation and use of economic surpluses in Africa. The power relationships (characterised by unpaid labour, gender) also affect the distribution of these surpluses.

He indicated that the structure of the economy that shapes how surpluses are generated is affected by three (3) main factors;

1. The place of the foreign investor. The foreign investor is considered to be an important player who rotates a chunk of surpluses out of the continent in the form of illicit flows, profit repatriation and usually presents unfair terms of trade.
2. The remaining forms of surpluses are too fragmented. For example, the smallholder farmers and large informal sectors generate the funds in smaller units.

3. The means of wealth storage is a problem as some wealth does not come in monetised forms. These forms make them very difficult to mobilise and to support credit distribution for development.

Turning to the way forward for effective domestic resources mobilisation, he indicated that answers to the following questions will guide discussions on solutions to the existing challenges with resource mobilisation:

- How do we retain as much as of the economic surplus generated as possible?
- How do we mobilise and concentrate central resources (more difficult to do but in the past through marketing boards that mobilize resources and reinvesting in the economy)?
- How do we monetise non-monetary wealth (straightforward: encourage them to invest in the productive sector: most important tool is to link credit to savings)?
- What financial mechanisms do we need to facilitate?

He concluded by pointing out the fact that two (2) major problems still remained in an attempt to alter Africa's existing economic structure;

- The unequal exchange with the global community.
- The existence of internal fragmentation such that high earning systems (like mining) are not linked with low-income generating ones (such as farming).

Presenter: Charles Abugre
Topic: Alternative Macroeconomic Framework
Natural resources and Human development are the two main vehicles for the creation of value. Organizing value from these sources can enhance financialisation. The communal and informal nature of land resources however hinders the creation of value.

Countries have used politics to accumulate resources increasingly through debt, not just because of structures and systems but due to a certain culture that is emerging. The culture is bigger than the traditional financial system. Financial system actors have also found ways to harvest nature and natural resources and human resources across the globe. On the subject of what we have learnt from organising value which is controlled by people, we realise that value is created at the communal level when we organise community-owned and controlled land. The same outcome holds for forest reserves and water bodies.

Resource pooling around health generates some value and captures more value by collective societies. For instance, communal ownership of communication systems allows Ethiopia to generate 20% of revenues from that sector compared with Ghana and Kenya.

In order to progress as countries on the African continent, the speaker made mention of key reforms that must be implemented;

- The need for structural transformation that adds value to resources. Africa can pursue some form of manufacturing.
- Taxation should be used to capture more resources by addressing inequality.
- The basic macroeconomic policy must be right; counter-cyclical fiscal and monetary policies can help take advantage of labour costs.

Presenter: Professor C. P. Chandrasekhar
Topic: Development Banking
Professor Chandrasekhar started his presentation with the conceptual origins of development banking and defined the purpose for which they exist. Development Banking, he said, is geared towards the provision of funds for capital intensive projects for the promotion of growth.

He mentioned two (2) types of development banking:

- Banks that finance large investments.
- Banks with social mandates to help particular sectors or regions. These are mostly concerned with the first set.

He also highlighted some a key feature of the required banking system that necessitates development banks. Development banks are needed because of liquidity and maturity mismatches that prevent standard commercial banks from providing long-term capital for development. Early examples of such mismatches occurred in France and Germany, but they failed to correct the mismatch in France. The solution to such failures is the existence of an agency to provide lines of credibility for banks engaged in long-term lending. Germany's Reichsbank performed this role for the model in Germany to be successful.

He indicated that one issue commonly raised in respect of development banks is moral hazard. This moral hazard issue can be solved through a governance structure that has board memberships. The means some of these banks should be government owned and controlled. They should be structured to take deposits and borrow from other institutions that enjoy budgetary support. About 39% of such institutions (like the Korean Development Bank) were set up even during the era of the neo-liberal agenda. The Industrial Finance Department was also established within the Reserve Bank of India for long-term development financing in that era.

Discussion

Issues of financialisation can be traced to savings-investment banks. Institutions like post-office systems were early institutions that emerged through this system. This helped to remedy the problem of fragmentation of surpluses. The cultural and spiritual value of natural resources missed by CA's suggestion of cooperatives.

2.3 DAY THREE

PART THREE: TOWARDS AN AFRICAN RESEARCH & ADVOCACY AGENDA

3.1 Session 11 (Part One)

Chair: Sylvester Bagooro

The discussion in this session followed a slightly different format from the other sessions. Each presenter was requested to organize their presentations around the following three key questions:

- What issues are you working on and/are critical in your area of work?
- How do they relate to the issues that have been discussed over the past two days?
- How do we take them forward?

Presenter: Arthur Muliro, Society for International Development (SID)

Topic: Public Private Partnership (PPPs)

On the first question, Arthur Muliro indicated that SID focuses on financing through Public Private Partnerships. The outcomes of these partnerships have been empowered by nations, especially the issues of lack of transparency and the profits that are accrued by most of the private partners, opportunity costs and impact on tax payers.

On the relevant question of how their work relate to the discussions over the last two days, he indicated that financing development through PPPs involves some complex issues that should be dealt with. The structure to delivering outcomes has some benefits; however the issue of generating outcomes at low costs always come up. To address this issue, he suggested that the key questions to be addressed are: What actually goes on in these partnerships? Who negotiates it and what are the details? He suggested that international fora be used to push the agenda of PPPs considering the lack of transparency.

Finally, on the way forward, he suggested that useful information about PPPs should be brought into the public space for discussion. This is because often the public is unaware of what is going on. Also, the policies need to be communicated in the layman's language so that the public appreciate the risks they are exposed to. It is also important to liaise with the legislative body which has the mandate to question how public money is spent. There is the need to create awareness and improve transparency, and to compare projects that go through budgetary processes.

Presenter: Myriam Vander Stichele, Centre for Research on Multinational Corporations (SOMO)

Topic: IFIs/G20

Myriam indicated that SOMO focuses on capacity building and finds out ways to advance advocacy where developing countries voices are not heard. Advocacy at the global level is difficult and so they try to reach out to national groups and decision makers.

In the context of the discussions at the Workshop, the on-going financialisation and the absence of capital controls in many countries relate directly to what SOMO does. They engage with the G20 to present paper to the president in the area of infrastructure but lack of clarity of what is being discussed at the G20 is a major stumbling block. The SOMO has also had dialogues with the Financial Stability Boards (FSB) but the organisation felt it was important to engage Africa, Middle East and Asia to ascertain what their concerns are and how they get into the FSB circle.

Going forward, a key problem to deal with is the bond issue in bilateral agreements and the protection of investors. There is a dialogue about sustainable finance in the Europe and it is essential to investigate what exactly green bonds are, and the possibility to regulate foreign and national banks, especially in the area of climate change financing.

Presenter: Ikal Ang'elei, Friend of Lake Turkana
Topic: AfDB/ Infrastructure
Ikal indicated that AfDB infrastructure works on ecosystems and projects on infrastructure development assistance, how energy projects and environmentally-related projects affect communities and indigenous people. The organization also engineers the construction of roads to link raw materials and minerals to ports for the generation of funds.

In the context of the discussions at the Workshop, she mentioned the difficulty in tracing where the money for infrastructure project financed at the AfDB comes from because the bank is linked with many people and organisations. The AfDB now provides guarantees to private investors, but does not finance projects. The AfDB has become a vehicle through which finance flows. The issue about who controls that infrastructure is a major concern. Also, the definition of infrastructure has changed in light of financialisation.

Going forward, she suggested that research into ways to link highways to farmers and how infrastructure affects the day to day activities of citizens on the continent will be crucial. There is the need to link financialisation and infrastructure to the masses, for example, the smallholder farmers.

Discussion
During the ensuing discussion, it was suggested that a way to address the lack of coherence between research and advocacy would be to arrange meetings between NGOs and such organisations as the G20. A major issue in trying to bridge the gap between research and advocacy is whether or not to engage with UNCTAD since the organisation is undermined by the northern donors. The ability of northern NGOs and think tanks to compel investors to implement ESGs risk assessment should have implications for investor engagements in the south as well.

The discussions also noted that there have been few cases of successful PPP interventions among which, is the case of the Bolivian water wars. The civil society resisted the privatisation of water, but success came along with violence and death. The required action in such interventions usually delays and hence success demands consistency of purpose from the citizens. The success of PPP interventions also depends on the nature of goods involved; pressing needs like water as opposed to ports and stadia, which may not have urgent need. Organisations must consider building coalitions since one organisation cannot successfully foster the agenda all by itself.

The discussion noted that the legislature has not been very helpful in PPP negotiations. Many are rubberstamping because of the nature of politics; they make laws but hold less debate in finding alternative ideas.

Privatisation without due consent generates public outcry. It is essential to revisit the debate on what public goods really are, and the role of the state in securing access to them since there is little debate in this part of the world. Why the notion that private health care and education are better than the public sector when it is different elsewhere? Why PPPs and expensive debt when tax resources should finance public goods?

The FSB is a monitoring capacity building exercise and is important because international/big conversations take place there. There is a struggle in linking systemic issues to real life situations of people. European NGOs for instance use demonstrations to draw the attention of governments and individual to failing financial systems. There is the need to do better at linking systemic issues and life experiences.

3.2 Session 11 (Part Two)

Presenter: Alvin Mosioma, Tax Justice Network-Africa (TJNA)
Topic: Tax Justice & IFFs
Alvin started his presentation with some preliminary observations. He was of the opinion that the solutions to issues raised and discussed require global, regional and national efforts and dimensions. He also indicated that there is the need to identify and focus on the most relevant policy engagements and spaces for governmental and CSO challenges; how to link research priorities to the advocacy agenda.

On the question of TJNA's area of work, he indicated that TJNA works in collaboration with partners to upgrade the UN tax committee to a global body. This is important because implementing consensus on the solutions adopted to address IFFs challenges is usually contested. He indicated that the arm's length principle is outmoded, ineffective at resolving tax issues and determining profits, and does not keep in time with changing global economy. The question asked was, is it possible to create a system that does not treat multinational entities as separate entities but for what they are?

On how TJNA relates to the issues being discussed, he indicated that organisations that have legitimacy do not have the resources and those that have the resources lack the legitimacy to check IFF's issues. He suggested formal apportionment as a key way of addressing IFFs and providing a better way of understanding IFFs; various schools of thought define IFFs differently (some exclude tax avoidance and only include corruption, crime and tax evasion). In a bid to create an investment-enabling environment, countries tend to sign double tax agreements that actually hinder tax mobilization. Unfortunately, these agreements are internally motivated by the local businesses and elite to exploit opportunities to round trip.

On the question of how to take these issues forward, he suggested that there is the need to focus on digital taxation, finding a means to tax corporations like the Googles, Ubers and the likes. A conversation on the nexus between finance and technology (Fintech) by CSOs would be much helpful to resolving taxation issues.

Presenter: Fanwell Bokosi, AFRODAD (TBC)
Topic: Debt
Fanwell indicated that the work focus at AFRODAD is on debt because it infringes on human rights and democracy. Governments have resorted to tightening rules and laws on social benefits such as education and health. Debt levels have been increasing and it is critical because countries have to repay their loans and interests. The focus is more on domestic debt because there are no legislations to regulate how much the government borrows from the domestic market, and borrowings are mostly for consumption purposes and not for investments (debts that are not sovereign do not require legislative approval).

The area of AFRODAD's work that relates to the discussion on financialisation is debt. This is because debt is primarily part of the financialisation movement. He debunked the long-standing notion that everything must be funded by debt. He suggested that it was easier in the past to deal with bilateral and multilateral donors because of the ease of obtaining debt forgiveness through HIPC and MDRI. The bilateral and multilateral donors' share of credit has reduced in recent times because of increasing private lenders. It would be complex and difficult to resolve issues with these private investors.

On the question of how to take these issues forward, he intimated the need to discover an appropriate means of communicating the actions of the government to citizens. Going forward, groups present at the workshop need to research into all instruments that are coming in and how they relate with financing and human rights.

Presenter: Mariama Williams, The South Centre
Topic: Climate Finance
Mariama stated that the South Centre works on climate finance-related issues, and how Africa and African governments can facilitate climate finance.

In terms of the aspect of the South Centre's work that relates to the discussions at the workshop, she indicated that climate finance and development finance has been linked in the discussion on development finance. Primary implementation of the Paris Agreement requires some commitment by the developed and developing countries. Every government has to contribute to climate mitigation by 2025, countries that have little money in their treasury are now involving the private sector through for instance, the issuance of green bonds.

Going forward, she suggested that the issue that requires attention is the inability of African governments to access the Green Climate Fund (GCF). The GCF has been created on the principle of national ownership and easy access for developing countries. African countries like Ghana are not taking advantage of grant monies which do not need to be repaid but are taking loans that attract high interest rates. The capacities exist in African countries, but officials are not taking advantage of them.

Presenter: Crystal Simeoni, FEMNET
Topic: Gender & Finance
Crystal informed the workshop that FEMNET has over 600 members in 52 African countries who work on economic justice but less work on financial inclusion, debt, tax, and PPPs. In

collaboration with the AU and UN, the organisation develops capacity for women and has done works on IFFs and building work capacity.

In relation to the discussion at the workshop, she indicated that there is a real gap with financing because women activist groups are too complex; they focus more on issues as women abuse and rights. The organisation pushed for the audacity to recreate policies that are sound and would work for all. African government's financing arrangements do not link access to education with a broader macro-economic policy setting by governments. Cases have been recorded in Kenya, where the government has partnered with the police to arrest people who have defaulted in repaying higher education board loans.

On the way forward, she suggested a change in the discourse especially where the masculine voice dominates the female voice even at conferences and empowering women's rights organisations who have the capacity to understand these processes to change the agenda.

Discussions

An important question posed during the discussion was whether there has been work on climate financing as for IFFs. The ensuing discussion suggested that not much work has been done on the extractive nature of climate financing; existing studies look at the nexus between IIFs and climate finance from the angle of curbing IFFs to help African countries adapt to the changing climate. However, there is the possibility of climate fund misappropriation.

Another question that was raised during the discussion was whether within the mechanisms of climate finance there are systems to track the down flow of funds? It was noted that the GCF is currently shifting to a bank system even though the initial intention was for it to be a grant fund. Countries can have direct access to the fund, the board acts on approval from the country it deals with and has had gender considerations right from its inception.

Another issue was discussed on the link between IFFs and financialisation. The discussion focused on how tax havens are linked to the financial sector. It was noted that complex instruments such as bonds have been used to emphasise the link between finance and IFFs. The complexity makes public engagement with CSO challenging. Much of the focus has been on the magnitude rather than the exactitude of illicit flows because it is difficult to reveal things that occur in the dark especially when transparency is lacking.

One common question directed towards all three organizations was how they prioritise the strategic issues they focus on. In response, TJNA indicated that they recognise the different dimensions of tax. On her part, Mariama responded that the South Centre coordinates with the G77 and works based on demand. Crystal responded that FEMNET tries to navigate a space where they are meaningfully engaged and though the fight for women rights is a global fight, they create their own spaces rather than honouring invitations to fill up already created spaces where power would have to be negotiated.

3.3 Session 12: Framing an Agenda on Global Finance, DRM and SET in Africa - Group Discussions

Chair: Alvin Mosioma

Participants were divided into three groups at the final session of the Workshop to deliberate on the following broad thematic areas;

1. Priority/Strategy for Research and Advocacy.
2. Collaborative Relationships for Research and Advocacy.
3. Skills, Capacities and Resources.

After forty-five (45) minutes of deliberation, the groups presented their reports to the plenary.

Agenda One: Priority/ Strategy Issues for Research and Advocacy

Presenter: Daniela Gabor

The group identified seven (7) myths-as a set of costly needs of global financialisation which require research and action. It was important to understand what the advocacy was about, and essential to identify the different actors involved. The group noted that the current macroeconomic architecture is developmental and explores the type of alternatives that are available for development. The myths are that;

- The current macro architecture is developmental.
- Bond finance is developmental; reengineering.
- Portfolio flows are developmental.
- Mega infrastructure-led development will deliver structural transformation.
- Concessionary finance is no longer necessary.
- Digital financial inclusion is developmental.
- Only the private sector has resources to deliver our needs.

Discussant: Tetteh Hormeku

The issues were framed with clear objectives with the direction to reclaim finance for development. The group discussion helped to identify issues for research and development for which action is required beyond the identification. The challenges though are; the transition from where we currently are to where we want to go; and how to challenge the myths (changing facts) about finance to reclaim finance.

He pointed out the need to think about ways to launch a bigger agenda of strategising and rethinking in the short to middle term.

Agenda Two: Collaborative Relationships for Research and Advocacy

Presenter: Edgar Odari

The group identified six (6) broad areas to consider for building collaborative relationships in Africa;

Collaboration needs to follow global, regional and national levels.
Global and African CSOs need meaningful representation, improved participation, agenda setting and the right leadership. Thematic targeting would be beneficial to correcting the deficient financial services sector of priority countries like Kenya, Nigeria, South Africa, Senegal, Morocco, D.R. Congo and Ivory Coast.

Collaboration on strategic issues.
Strategic decisions on issues regarding securitisation, bonds, governance, regulatory frameworks, financial sector reforms, sustainable finance, digitisation and finance.

Collaboration with people and institutions.
Policy institutions such as the UNECA, Academia, women movements, legislators, producer groups, intergovernmental bodies, think tanks.

Collaboration with strategic sites of engagement.
G20, IFIs, C10, African Union, finance ministers, Financial Stabilization Board, Africa Regional Forum on Sustainable Development.

Strategic moments
AfDB Gender Summit in April, Finance ministers' meeting in March, AU summit in June, High Level Forum in July, World Bank Spring (April/ May) and Fall (October/November) meetings.

The nature of collaboration.
Research, information sharing, communication and media outreach, joint fundraising, network building, joint advocacy and campaigns.

Discussant: Daniela Gabor

Daniela expressed the need to map out the issues that require advocacy and how to execute the plans. Financialisation cuts across all the issues raised around finance. The discussion suggested that we map out sites for mobilisation and organisation. This matters because these discussions involve real political issues that mean a lot to Africa.

On the question of how to map the things we advocate, there were suggestions to map out sites for contestation, for cooperation, and for mobilisation. However, it was noted that addressing the immediate concerns of people may be difficult.

Agenda Three: Skills, Capacities and Resources

Presenter: Yao Graham

The group suggested the need to be clear on the priorities in order to decide on the advocacy that would be supportive. They noted that the issue of financial resources is likely to come with tensions between funders and decision-makers;

- Have to look into the African philanthropy network for funding.
- Have to be innovative in their own capacities to generate resources.
- Need leadership capacity and orientation,
- Require the willingness of organisations to take risks.
- Need commitment.

It would be helpful to have a map of who is doing what on the issue of financialisation, taking into consideration the role of the north and south. The group identified three major analytical capacities and skills for a successful agenda;

1. *Research skills* (political orientation, technical); deploying skills to correcting the North-South imbalances; analysing existing materials (official agreements) on financialisation issues.
2. *Skills to track development*; effective communication skills to support awareness building, constructing tools to enhance knowledge sharing in research of advocacy experiences.
3. *Skills for mobilisation*; mobilisational challenges may exist in bringing together different constituents to deliberate on the financialisation issues.

Discussant: Charles Abugre

Charles stated that strategy positioning is very essential and how the subject is approached determines who goes along with the vision or not. He accentuated the need to connect the dots by situating the specific areas of each person's work to achieving the goal that is being championed. In view of that, individual capabilities need to be developed and funds, mobilized to push the agenda.

He concluded by emphasising the need to frame all issues discussed throughout the workshop and the need to engage in further discussions.

2.4 SUMMARY OF STRATEGIC CONCLUSIONS, NEXT STEPS AND WAY FORWARD

Tetteh Hormeku

Tetteh admitted that the project was highly ambitious because of the challenges posed by the constantly evolving nature of global finance and financialisation. Despite these challenges, the organisers found the need to initiate strategies to help find solutions to such challenges.

Tetteh stated that reclaiming finance and its role in aiding Africa's growth required the identification of issues for which the project succeeded in separating facts from myths. He also emphasized the need for participants to define their positions in these challenges, and not simply to identify them. The sources of funding as well as the people to engage are all very essential to drawing out the strategies.

He expressed the hope to further work with organisations as TJN, FEMNET and SOMO to help champion the elements of the agenda and then communicate back to every participant. Some other individuals were going to be consulted to help think through the issues discussed.

He informed the participants on the plans to communicate the reports within two weeks, making available presentations and other useful materials.

Yao Graham

On his part Yao indicated that the ambitions of the workshop were open-ended and positive feedback was received with regards to the usefulness of the meeting. Strategic thinking though not the main objective of the workshop, was achieved as well. He expressed gratitude to everyone, colleagues, interpreters, policy analysts from overseas for making the meeting possible:

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APPENDIX B – FINAL PROGRAMME

Day 1, 19 FEB

08.30 – 0900 **WELCOME AND INTRODUCTIONS**

Yao Graham, Co-ordinator, TWN-Africa

09.00 – 10.15 **Session 1:**

SETTING THE CONTEXT: GLOBAL FINANCE, DOMESTIC RESOURCE MOBILISATION AND STRUCTURAL ECONOMIC TRANSFORMATION IN AFRICA

Introducing the concerns to be taken up in the consultation as issues confronting Africa's development transformation, situating this in the context of the intensification and evolution of Finance-driven Globalisation, especially since the 2008 Global Crisis

Financing Africa's Economic Transformation in an era of Financial Globalisation

GYEKYE TANOH

Global Finance in the 21st Century: Speculation, Rentiers and Issues for Development Policy

PENELOPE HAWKINS, Snr Economic Affairs Officer, UNCTAD

CHAIR: YAO GRAHAM

PART ONE: GLOBAL FINANCE AND FINANCIALISATION IN AFRICA

10. 30 – 11.30 **Session 2: THE ROLE OF FINANCE IN DEVELOPMENT – AN OVERVIEW**

Overview of perspectives and experiences of the Role of Finance in Development in the global south and Africa

PENELOPE HAWKINS, Snr Economic Affairs Officer, UNCTAD

Discussant: Tetteh Hormeku, TWN-Africa

CHAIR: YAO GRAHAM

1130-1300 **Session 3: PATHWAYS, FORMS AND INSTRUMENTS OF FINANCIALISATION**

This session provides an overview of financialisation and the issues it poses. It will look at the tendency for the creation and commercial trading of financial assets (such as shares, bonds, derivatives, financial claims on assets and flows arising from production and distribution of goods and services etc.) as the major activity of rapidly growing, increasingly autonomous financial sectors. It will explore key institutional and market mechanisms involved.

Defining Financialisation and its Elements - Asset Classes, Instruments & Institutions – DANIELA GABOR
Pathways of Financialisation in Africa – SARAH BRACKING

CHAIR: GYEKYE TANOH

1300 –1400 **LUNCH**

14.00- 1530 **Session 4: FINANCIALISATION AND BOND MARKETS**

Financialisation has also led to growing complexity in bond markets as well as the range of players participating in them, including the enthusiastic entry of African governments in recent years. The session will also consider how bond markets are facilitating the conversion of public resources such as ODA and their privatisation in financial markets and the more prominent role being assigned to the latter in Financing Development. This involves emerging policies for creating and deepening domestic bond markets in Africa to attract Global Finance. We discuss these developments and their implications.

Evolutions in International Bond Markets & Developing and Emerging Economies -

C P CHANDRASEKHAR, IDEAS/JNU

Africa in International Bond Market

FANWELL BOKOSI, AFRODAD

Bonds and Privatisation of Aid: The Case of Climate Bonds

MARIAMA WILLIAMS, South Centre

CHAIR: CHAFIK BEN ROUINE

Day 2, FEB 20

08.30-09.30 **Session 5: FINANCIALISATION AND THE REAL SECTOR IN AFRICA**

What have been the effects of the penetration and interface of global finance and financialisation with the real sector in Africa? How are these sectors being restructured and redefined to facilitate financialisation and financial surplus capture? The session looks at these questions and the changing relations and conditions for investment, production and linkages in Africa's real sectors

Mining & Extractives

MAMADOU GOITA, AfDB CSO Network

Agriculture and Food

STEFANO PRATO, SID

Manufacturing & Services

SARAH BRACKING, KCL

CHAIR: FRUAKE BANSE

PART TWO: FINANCIALISATION, MACRO ECONOMIC ISSUES, POLICY REGIMES & ALTERNATIVES

This section examines the major policy paradigms that have enabled and are further encouraging Financial Globalisation and Financialisation in Africa. Session 6 focuses on the monetary, fiscal, exchange management and other macroeconomic policies implemented by African governments since the installation of SAPs and neoliberal regimes. Session 7 examines the drivers of reforms at the level of International Governance and Regulatory objectives. Add the francophone experience. With these in view, Session 8 begins our strategic renewal of alternatives based on the centrality of Mobilisation of Domestic Resources and issues for rethinking International and Domestic Frameworks and Institutions on this basis

09.45 – 10.45 Session 6: Macro Economic Policy Financialisation: A Critique

CHARLES ABUGRE, TAMA FOUNDATION UNIVERSAL

Dr. GAMAL IBRAHIM

CHIEF, DEVELOPMENT PLANNING SECTION,

MACROECONOMICS AND GOVERNANCE DIVISION.

UNECA

CHAIR: MARIAMA WILLIAMS

10.45 – 12.00 Session 7: Global Financial Governance and Regulatory Regimes

International Financial Governance & Regulatory Regimes

MYRIAM VANDER STICHELE, SOMO

CHAIR: ALVIN MOSIOMA

12.15 – 13.30 Session 8: Liberalisation of Banking and Finance: Experiences from Africa and Global South

Liberalisation & Deregulation have radically altered the character & operations of Domestic Banking and its Credit-Creation, resource mobilisation and investment allocation functions, associated with the penetration of foreign banks in particular. Review the problems of intermediation. Review the experiences in global south and Africa

C P CHANDRASEKHAR, IDEAS/JNU

CHARLES ABUGRE, TAMA FOUNDATION UNIVERSAL

KAREN AKIWUMI-TANOH

CHAIR: YAO GRAHAM

13.30 – 14.30 LUNCH

14.30 – 15.45 **Session 9: Issues and Experiences of Financialisation from Francophone Africa**

NDONGO SYLLA, ROSA LUXEMBOURG FOUNDATION

CHAFIK BEN ROUINE, TUNISIAN ECONOMIC OBSERVATORY

CHAIR: IKAL ANGE'LEI

160.00 – 17.30 **Session 10: Alternative Approaches to Finance and Responses to Financialisation:**

Rethinking Domestic Resource Mobilisation

TETTEH HORMEKU
Alternative Macroeconomic Framework

CHARLES ABUGRE
Development Banking

C P CHANDRASEKHAR

CHAIR: MAMADOU GOITA

Day 3: FEB 21

PART THREE: TOWARDS AN AFRICAN RESEARCH & ADVOCACY AGENDA

This part of the programme is dedicated to critical reflection on advocacy experiences and how they can be further enhanced through better inter-connections and taken forward together through comprehensive and effective agenda of research, networking and advocacy for financing equitable and sustainable structural economic transformation in Africa.

Session 11 (Part one)

0900 – 10.15 **Public Private Partnerships** STEFANO PRATO
IFIs/G20 etc. MYRIAM STICHELE
AfDB/Infrastructure IKAL ANG'ELEI, Friend of Lake Turkana

Session 11 (Part two)

Tax Justice & IFF ALVIN MOSIOMA, TJNA

10.30 – 12.00 **Debt** FANWELL BOKOSI, AFRODAD

Climate Change MARIAMA WILLIAMS

	Gender & Finance	CRYSTAL SIMEONI, FEMNET

12.15-13.00 **Session 12: Framing an Agenda on Global Finance, DRM and SET in Africa**

GROUP DISCUSSION WITH THE FOLLOWING FACILITATORS

CHARLES ABUGRE
DANIELA GABOR
ALVIN MOSIOMA
CHAFIK BEN ROUINE
MARIAMA WILLIAMS

Group Report Back

13.00 – 13.30 Three groups around three themes

(a) **Priority/Strategic Issues for Research and Advocacy**
(b) **Collaborative Relationships for Research and Advocacy**
(c) **Skilled, Capacities and Resources**

1330-1430 **LUNCH**

1430-1600: **Framing and Agenda, Contd.**

Plenary on Ideas from Group Discussions

1600 – 1700 **SUMMARY OF STRATEGIC CONCLUSIONS, NEXT STEPS AND WAY FORWARD**