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Stiftung

## Beyond Aid

Making the EU Strategy with Africa work for Africa

Len Ishmael

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## IMPRESSUM

ISBN	978-3-88795-605-9
Publisher	Copyright 2021, Hanns-Seidel-Stiftung e.V. Lazarettstr. 33, 80636 Munich, Phone +49 (0)89 / 1258-0 E-Mail: <a href="mailto:info@hss.de">info@hss.de</a> , Online: <a href="http://www.hss.de">www.hss.de</a>
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Cover Layout	Gundula Kalmer, Munich
Print	Hanns-Seidel-Stiftung e.V., Inhouse Print Office, Munich
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# PREFACE



**Markus Ferber, MdEP**

Chairman of the  
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**T**he EU and Africa aim to put their cooperation on a new footing. Thus, the EU Commission proposed in March 2020 close future relations based on five partnerships: 1) for green transition and energy access; 2) for digital transformation; 3) for sustainable growth and jobs; 4) for peace and governance; and 5) on migration and mobility. Hopefully, both sides can discuss and adopt the strategy at the next EU-Africa-Summit. The present study deals precisely with the third aspect, i.e. economic growth and employment. The study sheds light on how the EU and Africa can concretely shape this partnership for mutual benefit.

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In this regard, the African Union has recently launched the African Continental Free Trade Area, an ambitious project to strengthen intra-African trade and a continent-wide sense of belonging. Here, the EU, as the world's most advanced model of regional integration, can provide Africa with advice and support based on its own experience. However, close and trusting cooperation requires open and honest exchanges about what both partners expect from the cooperation. More difficult issues, such as the protection of human rights or market access, must also be addressed and tackled with goodwill on both sides.

The EU has been actively engaged in development cooperation with African countries for decades and, together with the member states, is the largest donor of official development assistance to Africa. Although Africa can use support from the EU, the EU must not see it only from the perspective of the supplicant: Africa offers important market opportunities for European companies as well as profitable chances for cooperation and investment (such as in African start-ups). And the young population in particular presents a labour force that is already lacking in the EU, a problem that will become more and more acute in the coming decades. The EU can therefore also derive many benefits for itself from an even stronger engagement and must, as the European Parliament also called for in March 2021, treat Africa as a partner on an equal footing.

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The present study provides valuable background information and numerous recommendations for the EU and its partners on how to better cooperate with African economies in the future. I hope they will be taken into account in the continuation of EU-Africa relations.

I wish you an interesting read.

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# Beyond Aid

Making the EU Strategy with Africa work for Africa

## Executive Summary

### **The EU supports Africa's economic transformation.**

This report examines the European Union's (EU's) role in supporting Africa's economic transformation, and more specifically provides an analysis and recommendations with respect to the third component of the EU's Comprehensive Strategy with Africa – namely that of creating sustainable growth and jobs.<sup>1</sup> In the course of undertaking the analysis, the report examines a number of issues which directly or indirectly are of material concern with respect to attaining the objectives contained in the third component referenced above.<sup>2</sup> Among the main findings of the study are the following:

1. The EU-Africa partnership provides valuable opportunities for both groups. Africa is an important partner for Europe in managing a number of complex issues including that of migration and fighting violent extremism and as an ally in multilateral fora on global issues including climate change. Africa is also a market of growing importance and a source of valuable raw materials for Europe. Many Western European countries share a past colonial relationship with Africa which today translate into a number of bilateral relationships. Africa values Europe as the continent's most important partner on several fronts, including development cooperation, peace and security, and as an important investor in Africa's future. Together with the USA and China, Europe is one of Africa's most important trading partners.
2. The relationship, however, is not without its challenges. While there are several areas in which interests converge, there are also areas in which interests are not only divergent but create tensions. Chief among these are issues relating to migration and procedures included in the EU's New Pact on Migration. Others relative to sexual and reproductive health and rights, and how these are addressed, are also areas of disagreement. Africa has long called for discussions on paths of legal migration between the two and emphasises the need to respect how cultural norms and traditions inform the treatment of these issues in Africa.

3. Much has changed in the relationship between the EU and Africa since the first summit in Cairo convened in 2000. Europe's predominant role as the continent's primary partner is increasingly challenged by other global actors, not only China, but also Turkey, Russia, India, Japan, Korea and others. A struggle for competing interests in Africa is not helpful to Africa's development. Africa needs all the partnerships at its disposal to secure its aspirations for the future. Its actions in deepening and widening the scope of its relationships on multiple fronts speak to its intent. It is in Africa's interest to be able to work with all actors and increase new investments as a means of unlocking the continent's significant resources in support of its development.
4. Several emerging countries are positioning themselves as global actors as their increasing economic weight translates into growing political power. These shifts in geopolitical arrangements and global power provide Africa with a wider menu from which to choose partnerships which can best support its vision for the future and its priorities. The EU relationship with Africa must seek to be relevant. Africa's active participation in its own development is the sine qua non if the relationship with Europe is to become 'a partnership of equals.'
5. A strategy of cooperation with other global actors around Africa's development would produce mutual gains for all. China's President Xi has recently floated the idea of a "quad" approach to Africa's development with Germany and France. A deal on Africa with China, however, might not receive the support of the EU's most important strategic partner, the USA, and may induce the perception of a weakening EU presence in Africa, all of which would require careful analysis. Such concerns notwithstanding, Xi's offer to consider a strategy of cooperation rather than competition in Africa holds merit. It could be expanded to include other actors and should be explored, rather than summarily dismissed.

6. African leaders have been explicit of the continent's need to move beyond the export of raw materials towards higher-end exports to the EU and other markets through the expansion of inclusive value chains. This includes domestic processing of raw materials to support the development of vibrant industrial and manufacturing sectors. The pressure to create jobs is slated to be Africa's biggest challenge in the decades ahead. By 2040, the continent will need to create 2 million jobs per month to stay abreast of growth in the working age population. Africa's rural population is also slated to increase by 40 percent over this period – posing another dimension to the policy challenges ahead.<sup>3</sup>
7. The EU Strategy with Africa does not go far enough in addressing Africa's priorities with respect to a terms of trade reform which will allow Africa to fully exploit its agricultural commodities and increase manufacturing and industrial activity. Issues related to the Economic Partnership Agreements (EPAs) are seen by Africa as constraining the continent's ability to enhance industrial and manufacturing capacities and optimise the internal market envisaged by the African Continental Free Trade Area (AfCFTA). EU policy and other frameworks for engagement with Africa will be insufficient to promote sustainable development in Africa, if issues of trade reform, industrial and manufacturing policies are not also on the table for discussion and negotiation.
8. Africa is increasingly attractive to other source markets for investments. China has invested not only significantly in capital infrastructure across the continent, but Chinese engagement in Africa is also securing momentum in the business sector.<sup>4</sup> The country is steadily improving the quality of its capital products to compete at the high end, adapting technology to suit African needs, while keeping prices competitive. African businesses are benefiting from Chinese private sector skills training, jobs and technology transfer, and investments in fintech, and businesses are starting to make a shift from Europe to China in the procurement of certain white goods. This may be an opportune time for Europe to review and reset its business strategy in Africa.

9. There are an array of new sectors opening up for investments in Africa as connectivity across the continent improves. Chief among these are health and educational technologies, finance including fintech, logistics, e-commerce and more. Making financing available is essential to helping these flourish, but bureaucratic, policy prescriptive approaches negotiated between state actors are at odds with the way businesses make decisions about their interests. Platforms to facilitate business-to-business contacts and dialogue should be supported.
10. The notion of a "Green deal for Africa" should be carefully considered. Africa emits 2-3 percent of carbon emissions.<sup>5</sup> With its goal of industrial development and the urgent need for growth and jobs creation given the demographic bulge in the making, the continent's emissions will increase. How these might be offset should be discussed.

Opportunities also exist for the EU to intensify engagement with Africa on a number of fronts. These include for example harvesting the difference in demographics between Europe and Africa for mutual benefit, in a jointly managed skills audit targeted at growing sectors in Africa, as well as those in Europe slated to experience deficits given contractions to Europe's labour force.<sup>6</sup> Other trends and practices such as Africa's traditional practice of apprenticeships, the growing entrepreneurial hubs in Lagos, Johannesburg and Nairobi, and increasing South-South cooperation across Africa provide a variety of frameworks within which Europe can optimise the partnership with Africa.

**There are many opportunities for the EU to intensify engagement with Africa.**



# PART I: SETTING THE STAGE: THE SCOPE OF AFRICA'S DEVELOPMENT CHALLENGES

## 1. Context

**The EU aims to support sustainable economic growth in Africa.**

This report examines the European Union's (EU's) role in supporting Africa's economic transformation. More specifically, it provides an analysis and recommendations with respect to the third component of the EU's Comprehensive Strategy with Africa – namely that of creating sustainable growth and jobs.<sup>7</sup> The tasks and initiatives associated with the latter cannot be adequately addressed if divorced from a variety of other issues which speak to the challenging environment within which Africa seeks to pursue initiatives leading to its development and future prospects. The EU's emphasis on engagement with Africa on other aspects of the continent's development in the process of forging a new partnership agreement, including peace and security, migration and mobility, digital transformation, and the shift towards green transition and energy access are therefore all pertinent.

The interests of both Europe and Africa converge around the idea of a stable, prosperous Africa. Africa's future requires it. Europe's continued prosperity and security depend on it. How to obtain that ideal in all its aspects is, at times, a matter of discord between the two. At stake in the relationship, in the midst of shifting and broadening alliances and challenges to Europe's status by other global actors, is the need to ensure that an enduring, mature and modern relationship is struck, with real benefits and mutual gains delivered for all parties. This can only be achieved to the extent that both sides are committed to respectful, honest and open debates at the highest political levels around their interests, including around those issues where interests diverge.

## 2. Challenges of Africa's Development

### 2.1 Poverty, Inequality, Displacement, Hope

The continent of Africa faces a number of challenges in pursuit of its development. Chief among those are intractable levels of poverty. While many countries are now middle income, several are among the world's poorest. Despite a slow reduction in the poverty rate of 1.6 percent between 2015 and 2018, and an overall reduction in poverty from 56 percent in 1990 to 40 percent by 2018, the number of persons living in poverty (433 million) continues to grow because poverty rates have not fallen sufficiently fast to cope with increases in population growth.<sup>8</sup> African countries have to work twice as hard to maintain achievements associated with a number of social variables.

In addition, achieving higher levels of development is not necessarily a linear construct. Countries can and do fall back into lower levels of development.<sup>9</sup> The World Bank income classifications for 2020-2021, for example, show that while both Benin and Tanzania moved from low to middle-income status, Sudan and Algeria both moved downwards; the former from upper middle-income to lower middle-income country status, and the latter from middle to low income status from the previous year.<sup>10</sup> Levels of inequality between and within countries are high. For example, while Equatorial Guinea with a Gross Domestic Product (GDP) / capita of \$ 18,236 in 2020 ranks as Africa's third richest country after Seychelles and Mauritius, levels of inequality and poverty are high, placing the country quite low on the United Nations (UN) Human Development Index (HDI).<sup>11</sup>

**Achieving higher levels of development is not a linear construct.**

The effects of the ongoing COVID-19 pandemic are expected to increase the number of people living in poverty. School age children in Africa are among some of the world's most affected by school closures given generally poor conditions of internet connectivity across much of the continent. Rural areas fare worse. This period of interruption to education and skills training will exert deleterious impacts over the long-term prospects of many of the continent's youth. Some African countries are on the frontline of the worst effects of climate change, others in the Sahel and elsewhere are mired in decades of violent conflicts. These forces contribute to the growing numbers of displaced persons across the continent. More than 32 million Africans were recorded as refugees, asylum seekers or internally displaced persons in 2021; most (88 percent) are from ten countries who are stuck in conflict.<sup>12</sup> The Food and Agricultural Organization (FAO) warns of food shortages across swathes of the continent. It launched an urgent appeal in May 2021 for support to countries including the Central African Republic (CAR) in the face of "dire food insecurity emergency" affecting nearly 47 percent of the population.<sup>13</sup> Both under- and unemployment, especially among the continent's youth and women, together with high levels of informal sector work are characteristic of the labour market. Levels of intra-regional trade are low and capital infrastructural deficits across the continent are high.

### **Africa has great potential.**

There are however also reasons for hope. Africa is home to some of the world's most unique associations of flora and fauna, making it an exotic destination for tourism. It is a magnet for inflows of foreign investment especially in the mining and fossil fuel sectors. It is the largest continent in the world and will soon be home to the world's largest population and youngest labour force. On March 18, 2018, African leaders announced initiatives to unlock the enormous potential of the continent's internal market by creating the African Continental Free Trade Area (AfCFTA). When fully operational, the AfCFTA will be the world's largest Free Trade Area (FTA). In addition, African institutions are maturing and countries are better able to negotiate with the continent's partners as the recent conclusion of post-Cotonou arrangements to define the future relationship between the EU and the Organisation of African, Caribbean, Pacific group of countries (OACPS) attests.<sup>14</sup>

## 2.2 Macro-Economic Overview

The African continental economy grew from 2.1 percent to 3.2 percent between 2016 and 2019.<sup>15</sup> However, growth was uneven, centred mainly in Eastern, Western and Northern Africa. Projected growth rates of 3.8 percent for 2020 were reversed due to the effects of the COVID-19 pandemic with the African economy contracting instead by 1.9 percent.<sup>16</sup> All indications point to a long post-pandemic recovery. This will significantly impact the continent's prospects for job creation and poverty reduction. The African Development Bank (AfDB) estimates that as many as 39.7 million Africans are at risk of being pushed back into extreme poverty, resulting in 34.4 percent of the African population being in poverty in 2021.<sup>17</sup> The situation is even more dire given the global slowdown in the flow of remittances and the fact that few African countries are able to cushion the economic shock to their citizens.

**Due to the COVID-19 pandemic, the African economy contracted in 2020.**

Africa's economy is characterised by a significant dependence on a few sectors with little by way of the higher value components best placed to create high levels of job creation and forward and backwards linkages into other sectors. The manufacturing sector with its higher potential to both reduce levels of poverty and create jobs has instead lagged behind the growth in other sectors, contributing on average 6.3 percent to the economy.<sup>18</sup> Mining, hydrocarbons and commodities are the most important sectors for many African countries. While economic growth rates in Africa were higher than all other regions with the exception of Asia and the Pacific prior to 2020, increases in welfare measured by growth in GDP/capita have been lower than all regions except that of the Arab states, resulting in a situation of 'jobless growth'.<sup>19</sup> Per capita incomes are low and have stagnated, remaining constant or declining in all African sub-regions – with the exception of Eastern Africa, buoyed by strong growth in Rwanda, Ethiopia and Kenya.<sup>20</sup>

Most people in Africa were employed in agriculture (50.3 percent) in 2021. Women comprise more than half of all workers in the sector characterised by a high degree of informal sector activities.<sup>21</sup> Data for 2021 show that the services sector is growing at 36.4 percent, while industry at 13.4 percent has remained essentially flat.<sup>22</sup> The various sectors are distributed unevenly across Africa's sub-regions. In 2019, Southern Africa had the highest share of services (68.6 percent) followed by North Africa (24.9 percent), while agriculture dominated in Central and Eastern Africa with 60.5 percent and 65.7 percent respectively.<sup>23</sup> Diversification of the economies of Northern and Southern Africa is indicative of the process of structural transformation which is occurring in those regions as capital and labour move from low to

higher-productivity sectors, in the process creating better-quality jobs. As structural transformation takes place, it is generally expected that more people will move into the formal sector of salaried and better-paying jobs. This process has been demonstrably slow in Africa.<sup>24</sup> Herein lies the development conundrum which Africa faces. Agriculture, the largest sector, is characterised by high levels of low-paying work largely in the informal sector. It is unable to expand fast enough to cope with increases in population. While industry and manufacturing both have the capacity to produce more, higher-quality jobs, their contribution to Africa's development remains low. This is one of the reasons why African leaders are insistent on the need to negotiate better terms of trade to catalyse the development of industrial and manufacturing capacity by deepening value chains and enhanced processing of raw materials. In 2020, unemployment in two of Africa's largest economies, Nigeria and South Africa, was at 33.2 and 32.6 percent respectively.<sup>25</sup>

### 2.3 The Informal Sector, Women and Youth

**94 percent of workers without education are engaged in the informal sector.**

The informal sector dominates the landscape of work and employment in Africa. Employment in the sector ranged from over 40 percent in Southern Africa in 2020 (despite the presence of higher-quality jobs) to upwards of 90 percent in Eastern, Western and Central Africa (all regions with the heaviest concentration of jobs in agriculture).<sup>26</sup> Northern and Southern Africa have the lowest rates of work in the informal sector in Africa at 67.3 percent and 40.2 percent respectively, due to the lower share of agriculture in the economies of those regions.<sup>27</sup> With the exception of Northern Africa, approximately 80 percent of women and 85 percent of the self-employed work in the informal sector.<sup>28</sup> Both women and youth are engaged in forms of subsistence agriculture and informal, cross-border trading. As many as 94 percent of workers with no education are engaged in informal sector activities.<sup>29</sup> Africa's women are significantly disadvantaged with respect to access to education and skills training due to cultural traditions of the work assigned to women. This is even more pronounced in rural areas.

#### Africa's Youth

Of the 34 million persons unemployed in Africa in 2019, more than one third were youth between the ages 15-24, a number which had doubled in the period since 2000.<sup>30</sup> Youth unemployment in Southern Africa was as high as 50 percent in 2019.<sup>31</sup> Though comprising only one third of the

population in 2019, 63 percent of Africa's youth lived in poverty compared to 51 percent of all adults.<sup>32</sup> Agriculture remains the main source of employment for Africa's youth, though marginal growth has been taking place in services and construction. The International Labour Organization (ILO) has however concluded that "non-agricultural employment growth in Africa is not keeping pace with a rapidly expanding youth population."<sup>33</sup> In real terms, this means that the expansion of the labour force in the absence of higher-paying work will force more young people into low-paying informal sector activities linked to the agricultural sector with concomitant depressive effects on levels of growth, productivity and competitiveness of African economies. Youth, particularly those in rural areas, face a further disadvantage by the lack of access to relevant skills. The practice of informal apprenticeships is imbedded in traditional practices in African culture and is reported as being the most important source of skills training accounting for as much as 90 percent of the training received by young persons; many skills are often outdated.<sup>34</sup> As access to digital skills training becomes more prevalent in Africa, it is important to ensure that these do not further deepen the inequalities which exist between urban and rural African youth and their access to education and other basic human needs.

## 2.4 Africa's Business Sector

In many parts of the world, the private sector is generally regarded as the "engine" of growth. The sector is seen to be instrumental in mobilising domestic resources, advancing research and innovation and providing prospects for the creation of jobs and wealth. A vibrant business sector is also critical for the ability of countries to recover from the effects of the COVID-19 pandemic.<sup>35</sup> In Africa, however, levers for sustainable development are limited and constraints related to business finance, the high cost of capital, low levels of productivity, technology, skills and institutional capacities, high freight and transportation costs, poor governance and government policies coupled with delayed payments for goods and services, effectively blunt the ability of the sector to perform optimally. Over 90 percent of African businesses are categorised as small and medium size (SME) with an annual financing gap of over \$ 136 billion.<sup>36</sup> This hinders their ability to develop the economies of scale required to operate profitably. The AfDB plays an important role in providing support to the development and growth of the business sector but acknowledges that there are opportunities and challenges in this field.<sup>37</sup>

**The private sector does not fulfil its role of "engine" of growth in Africa.**

## Opportunities and Challenges

Africa is home to approximately 17 percent of the world's population, a share which is steadily growing. An expanding middle class and growing market for consumer goods and services make it attractive to foreign investors and businesses in Europe and elsewhere. However, significant challenges must be tackled if the continent is to be competitive and realise its growth potential. Among those aspects considered to be most disadvantageous by the AfDB are the following: Africa's investment climate is less attractive than those offered by Brazil, Russia, India and China (BRIC) and Mexico, Indonesia, South Korea, Turkey (MIST) groups of countries; the high costs and risks facing investments and business operations result in low rankings in the World Bank's Ease of Doing Business Index; Africa's rating as having "the most burdensome and least transparent business regulations and procedures;"<sup>38</sup> chronically poor access to essential services and infrastructure; inadequate legal and regulatory frameworks coupled with "weak institutional capacities and entrenched corruption;"<sup>39</sup> inadequate protection of private property rights and low levels of skilled labour.

### The EU-Africa relationship needs to better involve the private sector.

Among the findings of an assessment conducted by the author in 2018 of the relations between the business sectors of both Africa and Europe in the context of the EU-ACP relationship, businesses on both sides felt that the Cotonou Partnership Agreement (CPA) had failed to create conditions supportive of growth, market access and investment flows.<sup>40</sup> They pointed to the lack of meaningful engagement of the private sector in implementing the CPA as being critical to this failure. While Article 6 of the CPA provided for an important role for non-state actors such as the private sector, the latter was generally peripheral to the implementation of the partnership agreement which was led, managed and implemented mainly through centralised state-to-state interaction.<sup>41</sup> Private sector groups have not played an appreciable role in the most recent EU-OACPS negotiations leading to a successor post-Cotonou agreement; neither have civil society groups. It is important to ensure that the implementation of the new EU Strategy with Africa creates space for regular dialogue with private sector representatives from both Africa and Europe to ensure that support delivered is well targeted and leveraged to allow for optimal results.

## 2.5 Issues, Trends Facing Investments and Trade in Africa

Issues related to governance, transparency, political stability, applicable international contract law and systems of arbitration, security of investments and high country risks constitute some of the major impediments cited by European and other investors wishing to do business in Africa.<sup>42</sup> While some African observers have noted that such issues have not pre-empted significant European investments in strategic sectors such as rare minerals even in those countries which are conflict-prone and poorly governed,<sup>43</sup> it is in Africa's own interest to scale up governance structures to meet international best practices and standards. The continent needs to create an investment climate conducive not only to the needs of foreign investors but also to those of the continent's elite who hold significant sums outside the continent.

**It is in Africa's own interest to scale up governance structures.**

While Africa and the EU are important trading partners, changes in trade and investment patterns in Africa over the last ten years show a shift from traditional, Western partners to increasing engagement with emerging economies, chief among which is China. Between 2006 and 2016, exports to the USA and EU markets declined by 66 and 5 percent respectively, while exports and imports to India, Indonesia and Russia more than doubled.<sup>44</sup> Africa's trade with Turkey has also increased, as has trade with Japan and South Korea. Although the share of exports to the EU, USA and China is still significantly higher, this new trend suggests an increase in diversification of trading markets for Africa which might pose some challenges to European interests in the future. The year 2013 represented a pivotal shift for Africa in economic terms, with China overtaking the USA as the continent's largest equity investor as measured by foreign direct investment (FDI).<sup>45</sup>

While there has been some complacency in Europe regarding China's entry in the African market, with China being viewed not as a competitor, but as an actor at the lower value rungs of the market, this view should be revisited.<sup>46</sup> China's investments in Africa speak to a significant engagement in Africa's business sector. McKinsey's 2017 report spotlights the growing Africa-Chinese partnership in Africa's business sector, estimating that there are at least 10,000 private sector Chinese companies operating on the continent.<sup>47</sup> The latter have been generating profits while providing jobs, investments, skills and technology transfer to African workers and businesses.<sup>48</sup> China is also enhancing product quality and is better able to compete with European companies in the sector. Some African companies are already switching to Chinese suppliers for capital goods – the main focus of European exports to Africa – which they consider to be increasingly competitive not only in price, but also in quality, in a market which looks set to deliver \$ 440 billion annually.<sup>49</sup>



## 2.6 Labour Market Issues and Demographic Trends

Long sought after for its rich endowments in minerals, ores and other resources, the African continent also holds enormous potential given its demographics. It is home to the world's youngest population and soon the largest labour market. While the population of all other regions is declining, Africa's is growing. As of July 1st, 2020, the population of Africa was estimated at 1.34 billion. It is the second most populous region in the world after Asia, and will host the world's largest population by 2050 with upwards of more than 2 billion people,<sup>50</sup> approximating 26 percent of the world's population.<sup>51</sup>

**10-12 million young Africans enter the labour force each year.**

While China was able to harvest its growing labour force as a key element of its development strategy, a centrally planned economy benefits from certain economic characteristics related to state control of factors of production. Africa, on the other hand, is a single continent, comprising fifty-five independent states at varying stages of development. The potential to harvest this demographic dividend will depend on how it is managed and the policies put in place to optimise its potential. The United Nations Development Programme (UNDP) underlines the scope of the challenge which Africa faces in a telling report "Promise or Peril? Africa's 830 million Young People by 2050". Africa's labour force increased significantly between 2000 and 2019, growing from 302.1 million in 2000 to 489.7 million in 2019. It is projected to have reached 518 million by 2021 and will have grown to more than 1 billion by 2050.<sup>52</sup> Approximately 10-12 million young Africans enter the labour force each year in a context in which only 3.7 million jobs are created annually.<sup>53</sup> Sub-Saharan Africa is adding over 1.5 million persons per month to the working age population. Africa will be the only region of the world with a growing labour force by 2050.<sup>54</sup>

While this will create significant opportunities for both economic growth and investments, by 2040, the continent will need to create 2 million jobs per month to stay abreast of growth in the working age population. Unfortunately, the sectors driving economic growth in Africa – gas, oil, and mining – are not particularly labour-intensive and the propensity to create jobs commensurate with need is small. Agriculture, the largest sector with the bulk of low-paying, subsistence-type jobs and activities, is unable to create the level of jobs required.<sup>55</sup> In the absence of some drastic transformation, the jobs deficit in Africa will continue to widen. Job creation is slated to be Africa's biggest challenge in the decades ahead. Africa's rural population is also slated to increase by 40 percent over this period – posing another dimension to the policy challenges ahead.<sup>56</sup>

## The SDG's, Africa's Youth and Jobs

While the UN's Agenda 2030 and the Sustainable Development Goals (SDGs) are all of relevance to Africa, SDG 8.6 with its goal to reduce the NEET (not in employment, education or training) rate of youth is especially pertinent. So too are several of SDG 4's targets which speak to the special role of Technical and Vocational Education and Training (TVET) in economic transformation. The ILO estimates that the NEET rate among Africa's youth was 20.7 percent in 2020 and had increased since the SDG targets were set in 2015.<sup>57</sup> The youthfulness and size of the African population, the high rate of youth unemployment, and the scale of the informal sector make the attainment of SDG 8.6 particularly challenging.

The scope of the challenge is not lost to Africa's leaders who have taken various steps to tackle the significant work ahead. These included the African Youth Charter of 2006, the Youth Decade (2009-2018) Plan of Action, and the declaration of 2017 as the Year of the Youth.<sup>58</sup> The period 2018-27 was pronounced the African Decade for Technical, Professional, Entrepreneurial Training and Youth employment. The AU's Agenda 2063 also addresses the issue of youth, jobs and skills as part of the first ten-year plan of implementation. Other policy instruments direct attention to the issue of Africa's youth and the need to enhance skills creation and good quality jobs. These include Africa's continental TVET Strategy to Foster Youth Employment, the Science, Technology and Innovation Strategy for Africa 2024, and the Continental Education Strategy for Africa. The scale of the challenge ahead is not to be underestimated.

**One of five young Africans is neither in employment, education nor training.**

### 3. Shifting Tides: Competition for Power and Influence in Africa

**Africa's development is intertwined with Europe's security.**

Africa's future prosperity and its economic transformation depend on the choices its leaders make today and the quality of the partnerships which it is able to negotiate. The EU is Africa's closest neighbour and among its most important partners. But Africa is of strategic importance to Europe for reasons which go beyond that of access to Africa's markets and valuable raw materials, and are related to the complex nexus between Africa's development and stability and Europe's security. Africa is a continent in which continuing armed conflict is a source of harm and dispossession for many. The EU has been the continent's major contributor to the African Peace Facility (APF) providing significant funding through the African Union (AU) over the years.<sup>59</sup> As Africa's international relations continue to grow and diversify, new actors seeking to secure their own interests are drawn by the continent's raw materials, markets and increasing strategic significance – in particular of the Horn of Africa, an area which has attracted the attention of great powers. The EU, "galvanized both by the terrorism and global migration crises of the Horn's fragile neighbourhood has been drawn into far greater diplomatic, economic and security activism in this critical part of Africa."<sup>60</sup> In this respect, the EU joins a number of others whose interests in the region run deep.<sup>61</sup> Unsurprisingly, Djibouti, one of the more stable countries in the region, supports an extensive array of military powers including the US, France, Italy, Spain, Japan, and more recently, China and Saudi Arabia.<sup>62</sup>

With the decline in America's soft power over the last four years, bundles of political and economic power are tilting from West to East while China's power and influence are being felt increasingly around the world.<sup>63</sup> China is the most important trading partner for many of the world's countries including some in Europe. As China, joined by India and Russia, rushed to fill the vacuum with respect to anti-Covid vaccine supplies to poorer countries, hearts and minds were being won, not only in Africa, but also in parts of Europe.<sup>64</sup>

## The View from Africa

The AU's Agenda 2063 adopted in January 2015 presents Africa's vision and aspirations for the future. In a joint report by the AU and the Organisation for Economic Cooperation and Development (OECD) on Africa's Development Dynamics, the AU highlights the need for investments and economic growth to support the goals contained in both the Agenda 2063 and represented by the AfCFTA.<sup>65</sup> Africa needs all the partnerships at its disposal to secure its aspirations for the future. Its actions in deepening and widening the scope of its relationships on multiple fronts speak to its intent. A unipolar world is evolving into one with two superpowers jostling for power flanked by a number of emerging, medium powers attempting to project power and influence beyond their regional spheres.<sup>66</sup> Increasing multipolarity provides all countries with wider choices for cooperation. This is the reality of Africa.

While the relationship with China, like others, is not perfect, and concerns around the model of resource-backed financing continue, China has been an important partner for Africa. It provided funding and built Africa's first post-independence railway in Tanzania, in 1972, even while still a poor country. And Africa played a vital part in China's Silk Road trade from antiquity all the way through modern times after which it was replaced by European (mainly Dutch and English) monopolies. For countries of the Global South, the 'Rise of China' provides the possibility to benefit from wider options in the development cooperation arena.<sup>67</sup> China plays an important role in Africa and the developing world as a vital source of development finance for much needed capital infrastructural projects, allowing these countries to largely by-pass the Bretton Woods institutions for such financing requirements.<sup>68</sup> "In just two decades, China has become Africa's most important economic partner. Across trade, investment, infrastructure financing and aid, no other country has such depth and breadth of engagement in Africa. Chinese "dragons" – firms of all sizes and sectors – are bringing capital investment, management know-how and entrepreneurial energy to every corner of the continent. In so doing they are helping to accelerate the progress of Africa's economies."<sup>69</sup>

**Chinese companies play an important role in Africa.**

## 4. Realising Africa's Transformation Through Regional Integration

**The AfCFTA holds great potential for Africa's economic development.**

### 4.1 Realising the AfCFTA

For developing countries, regional integration is an important tool of development, and one which has long been an aspiration for Africa. In March 2018, AU Heads of State and Government marked a defining moment for African integration with the signing of the African Continental Free Trade Area, the Kigali Declaration and the Free Movement Protocol.<sup>70</sup> The AU Commission Chair noted that Africa's "integration was not an option, but an imperative."<sup>71</sup> The AfCFTA entered into force in April 2019. It is a key component in the agenda to create a Pan-African Economic Community by 2063 and will pull together the world's largest grouping of countries of 1.3 billion people in an FTA with potential for building a prosperous internal market, and catalysing the creation of much needed jobs.<sup>72</sup> It also provides for the free movement of factors of production (labour and capital), a mechanism for dispute settlement and an institutional architecture for implementation.<sup>73</sup> Implementation of the AfCFTA brings with it prospects for trade liberalisation within the continent and development of Africa's internal markets. It holds the potential to lift wages, spur innovation, increase competition, create wealth, generate wider options for consumer choice, and sustain social and economic growth and development across the continent.<sup>74</sup> It represents the aspiration of a continent and its people in keeping with Africa's vision for its future.

One of the AfCFTA's goals is to increase volumes and values of intra-regional trade considerably as a means of job and wealth creation, sector diversification and enhanced exports. Trade across Africa's internal markets represents only 15 percent of total trade, compared to 60 percent in Asia, 70 percent in the European Union, and 54 percent within the group represented by the United States-Mexico-Canada Agreement.<sup>75</sup> However, AfCFTA implementation will not be without challenges. The ongoing COVID-19 pandemic has already slowed implementation as much needed resources were diverted into efforts to fight the pandemic.

## 4.2 Africa's Regional Economic Communities

Africa contains several Regional Economic Communities (RECs),<sup>76</sup> many of which resulted from the Abuja Treaty of 1991.<sup>77</sup> While these have been viewed as the building blocks of Africa's integration efforts,<sup>78</sup> there are a number of hurdles which must be overcome in the process of their integration within the wider framework of the AfCFTA. These include dismantling the barriers to trade with other communities, identification of new sources of government revenues to offset losses of trade border taxes, and the potential for implementation bottlenecks arising out of differing capacities, competencies, and levels of integration integral to each REC.<sup>79</sup> Barriers to internal trade erected as a result of the various EPAs signed between the EU and the RECs will also need to be addressed. Ultimately, the lack of an overall framework for facilitating intra-continental trade, the high cost of doing business on the continent, inadequate engagement of the business sector, restrictions relating to labour mobility and insufficient data flows on which to ground evidence-based policies and monitoring systems vital to the success of implementation are among some of the challenges which will need to be faced, and resolved,<sup>80</sup> coupled with firm political determination to commit to the process over the long haul.

## 4.3 The Capital Infrastructure Gap

A deficit of capital infrastructure has historically posed a major obstacle to development in many African countries, particularly those which are landlocked. This has constrained the continent's attractiveness for certain investments. The World Bank (WB) estimates that Africa faces a \$ 38 billion deficit in infrastructure annually, plus \$ 37 billion per year in operations and maintenance.<sup>81</sup> This total requirement of US\$ 75 billion represents 12 percent of the continent's GDP. Lack of infrastructure is a major constraint on doing business, "depressing firm productivity by 40 percent."<sup>82</sup> The WB notes that high quality infrastructure would boost Africa's economic growth by 2.2 percent per year.<sup>83</sup> The AfDB puts the deficit and overall requirements higher, citing a deficit gap of \$ 130-\$ 170 billion per year, with a financing gap of \$ 67-\$ 107 billion annually.<sup>84</sup> While financing gaps remain significant, China has played an important role to chip away at this deficit as a result of significant investments and loans made in the sector. Infrastructure investments with the potential for more growth provides an important platform to support European-African business investments and commercial development and creates a potential basis for EU-China cooperation, with other actors, in support of Africa's economic transformation.<sup>85</sup>

**Lack of infrastructure is a major constraint on doing business.**

## PART II: POLICY PLATFORM FOR EU-AFRICA ENGAGEMENT AND COOPERATION

### 5. Institutional and Policy Dimensions of the Current EU-Africa Relationship

**"Africa does not need charity, it needs true and fair partnerships."**

On September 12, 2018, in the waning days of his Presidency and final State of the Union address, outgoing European Commission (EC) President Jean-Claude Juncker spoke of Africa's importance to Europe. He described Africa as Europe's "twin continent" and pointed to the need to develop a "partnership of equals", noting, "Africa does not need charity, it needs true and fair partnerships. And Europe needs this partnership just as much," labelling the old model of donor-recipient relations as "a thing of the past."<sup>86</sup> Juncker's statements were a fair assessment of the relationship between the EU and Africa and the need to get it on a different footing.

## 5.1 Beyond Aid: Negotiating A New Africa-EU Relationship

In the intervening years since Juncker's address, both the EU and Africa, first through the framework of EU-OACPS relations, have sought to use the negotiations on post-CPA arrangements as the basis for putting the relationship on a new footing. However, in the twenty years or more since the CPA had first come into effect, EU and African positions and views of the future have evolved, affected by a series of events which materially influenced the climate within which EU-OACPS negotiations took place including: the arrival of new global actors; the range and scope of China's influence and soft power; an expanded EU membership including Eastern European countries with different histories and world views, and the reality of a more developed and assertive ACP group of countries.<sup>87</sup>

The final outcomes and financing measures agreed to as a result of post-Cotonou arrangements have reinforced the perception of the importance of Africa to the EU. The fact that EU Commission President von der Leyen's first overseas visit was to Addis Ababa and the AU, on December 7, 2019,<sup>88</sup> and the EU's early support of the leading African candidate as Secretary General of the World Trade Organization (WTO) in the face of stiff American disapproval underscored the strategic importance of Africa and its priority status. These actions have sent constructive political messages to Africa. At the same time, a number of interrelated issues concerning Africa's development and the EU's security remain vital concerns for Europe for which migration has become a fractious political issue in several parts of the bloc.<sup>89</sup> Europe is aware of Africa's demographic trajectory and the complex milieu of 'push and pull' factors which drive thousands to seek a better life outside of Africa.<sup>90</sup> On multiple fronts, the EU sees the development of Africa, its closest continental neighbour, as being inextricably linked to Europe's own future political, economic and social security and stability.<sup>91</sup>

**The EU has signalled to Africa its strategic importance.**



## 5.2 Africa and Europe: The Current Framework for Political and Economic Engagement

The EU-AU political and economic relationship is guided by a variety of agreements and mechanisms. Chief among these is the Africa-EU Partnership established in 2000 at the first Africa-EU Summit in Cairo. This serves as the formal political channel through which the EU and the African continent engage in dialogue at multiple levels.<sup>92</sup> The partnership provides for engagement with multiple non-state actors and culminates with joint summits every three years which provide political guidance to the partnership,<sup>93</sup> with counterpart meetings held between the EU-AU Commissions, Ministerial groups and Parliaments. While the overall relationship is guided by the joint Africa-EU Strategy (JAES), a framework for long-term cooperation on a jointly determined agenda by Heads of State and Government developed at the second EU-Africa Summit held in Lisbon in 2007, relations with North Africa fall under the European Neighbourhood Policy (ENP) and plans for a possible Euro-Mediterranean FTA are being discussed.<sup>94</sup> The 5<sup>th</sup> EU-AU Summit held in November 2017, in Abidjan, Côte d'Ivoire, defined four new joint priorities for the relationship including education, skills, technology, science; investment mobilisation; migration and mobility; and strengthening resilience, peace, security and governance.

### Major changes are taking place in the EU-Africa partnership.

With the expiry of the CPA, the EU-Africa relationship will be guided by the successor agreement once ratified, and the African component of the EU-OACPS relationship will proceed under the African Pillar, one of three regional pillars established under the CPA successor agreement. North Africa has previously been financed via the European Neighbourhood Instrument (ENI) and Sub-Saharan Africa under the European Development Fund (EDF), a standalone financing facility established under the CPA, outside of the EU budget. Both the ENI and the EDF have now been subsumed under a new financial instrument in the EU's MFF 2021-27. The delay between conclusion of the post-CPA negotiations and the 6<sup>th</sup> EU-AU Summit has provided space and time within which to seek policy coherence between the new EU-AU Joint Strategy and EU-OACPS arrangements under the CPA successor agreement.<sup>95</sup>

## Private Sector Engagement

EU support to the European and African business sectors is consistent with the EU's New European Consensus on Development (2017), the Global Strategy for EU Foreign and Security Policy (2016) and the EU's Joint Communication for a renewed Impetus of the Africa-EU Partnership (2017). The EU communication: "A stronger role of the Private Sector in Achieving Inclusive and Sustainable Growth in Developing Countries" (2014) also emphasises its significance as an active partner in development. The EU and Africa engage in a series of joint programmes and platforms to provide support to the business sector. Among them is the EU-Africa Business Forum which hosts meetings every three years in a schedule aligned to that of the EU-Africa Summits.

EU support to the private sector averaged € 350 million annually with an allocation of € 2 billion in MFF 2014-2020 with expanded financing through new instruments in the new MFF 2021-2027.<sup>96</sup> This support, coupled with bilateral programmes from EU member states, identifies the EU as a significant actor in supporting local private sector development in partner countries. One of the impediments to Pan-African business sector development is the fact that the continent comprises countries which are still youthful in their independence. They face varying effects of the colonial legacy associated with different systems of laws and regulations, and do not yet enjoy continental-wide levels of policy harmonisation in many critical areas of importance to the business sector.<sup>97</sup>

**The EU and Africa engage in joint programmes to support the business sector.**

## PART III: LOOKING FORWARD: MAKING THE EU-STRATEGY WITH AFRICA WORK

### 6. Financing for Africa Under the EU MFF 2021-2027

Financing for the new EU Strategy with Africa falls within the bloc's new multiannual budget (MFF 2021-2027). The latter is presented as a more efficient "Team Europe" approach to respond to commitments made to partners via partnership agreements, while enhancing possibilities to leverage additional investments. The EU and its member states are among Africa's main trading partners and the EU is Africa's primary source of official development assistance (ODA) and humanitarian aid. Fifty-five percent of EU ODA (€ 75.2 billion) went to Africa in 2019.<sup>98</sup>

**The EU's Global Europe Instrument allocates a significant budget to Africa.**

Under the new arrangements, the EDF and ENI instruments have been subsumed under a new financing instrument, the Neighbourhood, Development and International Cooperation Instrument (NDICI) valued at € 79.5 billion. The latter, which is also referred to as the "Global Europe instrument" (GEI), covers development cooperation with all of Africa. The EU Global Strategy 2016, however, remains on its own. Its importance to Africa lies in the fact that the common foreign and security policy (CFSP) is the main facility through which the African Peace Facility (APF) has been funded. The APF has been replaced by a new off-budget instrument, the European Peace Facility (EPF). The new Global Europe Instrument allocates a significant budget to Sub-Saharan Africa (€ 29.1 billion) and to the EU Neighbourhood (€ 19.3 billion) which includes the seven countries of North Africa.

The EU Strategy with Africa aims to build on the External Investment Plan (EIP) and the Africa-Europe Alliance for Sustainable Investments and Jobs to attract additional investment. The NDICI/GEI also incorporates an enhanced version of the European Fund for Sustainable Development 2017 (EFSD) referred to as the EFSD+ and an External Action Guarantee (EAG) to support countries in Africa to attract more investments. This objective is to be met "through a mix of blending, of EU and partner sources of finance, support to investments and risk sharing guarantees."<sup>99</sup> The NDICI with the EFSD+ and the EAG are major components in the new Strategy with Africa, while contributing to the external aspects of EU priorities related to the Green Deal, jobs and growth, reducing inequality, and promoting digitalisation.

**EU funds can support countries in Africa to attract more investments.**

The COVID-19 pandemic has significantly increased the financing requirements of the EU and its member states relative to their own recovery needs, causing the EU to explore an innovative approach to leverage its financing impact, by combining EU funds with that of member states and European financial institutions (EFIs) including the European Investment Bank (EIB) and the European Bank for Reconstruction and Development (EBRD), with the twin goals of accelerating meeting SDG targets of partner countries and debt relief for vulnerable countries, especially those in Africa. Approximately 41 percent of the amounts already pledged (€ 40.5 billion) have been allocated to Africa. A further € 1 billion Team Europe initiative to support manufacturing, medicines, health technologies, access to vaccines and manufacturing was announced at the Global Health Summit in May 2021.<sup>100</sup>

**The EU wants to bring the partnership with Africa to the next level.**

## 6.1 The New EU Strategy with Africa

In announcing the European Commission's and European External Action Service's (EEAS) vision of the future Africa-EU partnership, EU Commission President Ursula von der Leyen remarked: "Today's strategy with Africa is the roadmap to move forward and bring our partnership to the next level. Africa is the Europe Union's natural partner and neighbour. Together we can build a more prosperous, more peaceful and more sustainable future for all."<sup>101</sup> The President reaffirmed the EU's commitment to the partnership and the importance of the overarching objectives of "ensuring sustainable and resilient post COVID recovery, boosting economic relations, creating jobs in both continents and deepening the partnership."<sup>102 103</sup>

### Critique of the Strategy

The new EU Strategy with Africa has been criticised by groups in both Africa and Europe for failing to capture opportunities to support Africa's economic transformation in a sufficiently deep and sustainable manner, and in failing to deliver on some of Africa's most pressing priorities, namely the reform of trade terms and support for industrialisation. Other areas which have come up for criticism include:

- The view that African leaders and civil society on both sides did not play a sufficiently meaningful role in the strategy's formulation and that the need for Africa to speak for itself is consistently ignored in the EU-Africa relationship.
- The strategy is seen to be narrowly focused on enhancing productivity, missing the opportunity to promote human development as a cross-cutting means of reducing inequality, promoting inclusion and supporting the development of resilient African communities.<sup>104</sup>
- Given that a significant portion of Africa's population growth will be rural-based, greater emphasis should have been placed on rural development and job creation.
- Similarly, the importance of agriculture to employment across the continent and its role in reducing hunger and poverty should have resulted in more emphasis placed on supporting the sector through initiatives to include climate change resistant agriculture.<sup>105 106</sup>

- Referencing only a few of the SDGs despite the importance of the Agenda 2030 and all of the SDGs to Africa's sustainable development has resulted in too narrow a focus on economic growth and private investment and insufficient attention to issues of inequality and poverty reduction.
- The blanket approach to the framing of initiatives despite the complex diversity of Africa, a failure to acknowledge the legacy of the colonial past, inadequate treatment of areas of conflicting interests, for example in the fields of migration and human rights, lack of action on the issue of industrialisation (an aspiration for African states not targeted in the Strategy), and issues pertaining to trade where the EPAs and FTAs provide duty- and quota-free access by Europe to African markets have also been criticised.<sup>107</sup>

## 6.2 Divergent Values and Interests: What Africa Wants

While the EU's strategy paper had been published in March 2020, by December of that year, the AU's position paper on what it hoped to derive from the partnership had not yet been shared. This has been a perennial aspect of the relationship, which leaves Africa in a state of reacting to EU positioning rather than being engaged more proactively. While previous note has been made of the lack of parity in resources between the AU and EU, proactive rather than reactive engagement would undoubtedly stand Africa in good stead in negotiating and tabling its interests. From time to time, this invariably leads to some frictions between the parties.<sup>108</sup>

As the following excerpts suggest, over the years, and with increasing frequency, African leaders have been vocal about what they need and expect in the relationship with the EU:

"We don't believe in imposition of development policies because something that is imposed without your will won't last long."

Ethiopia's Ambassador Teshome Toga Chanaka to Belgium and the EU (2018).<sup>109</sup>

"It is our hope that the new partnership will create new global value chains, to increase exports of finished goods."

Botswana's Trade Minister Peggy Serame, Message to EC officials (2020).<sup>110</sup>

**A more proactive engagement would stand Africa in good stead.**

**Europe needs to be more responsive to Africa's interests.**

While it is probable that EU and African interests will not always be in sync and may in fact be widely divergent on some matters, there is nonetheless an expectation, on both sides, that efforts are being made to tackle the priorities of the other party, especially in a relationship which has been longstanding and close. It is therefore striking that the areas which Africa has identified as being critical to its economic transformation, such as issues related to terms of trade, the development of value-added components to African exports through policies supportive of industrialisation and manufacturing, investments in capital infrastructure as a conduit to integrate not only the continent's internal markets, but also as a means to more robustly integrate Africa into global value chains, have not found their way into the new strategy in any meaningful way. This sets the stage for tensions and questions the foundations of the partnership. For the relationship to be one on a more equal footing, Europe needs to be more responsive to Africa's interests and vision for its future.

Reflecting on the implementation of the new EU Strategy with Africa, other considerations come to mind:

- Europe's ambitious new Green Deal raises questions regarding the degree to which border taxes and barriers will create impediments to market access for African goods.
- There is also talk of "greening Africa's recovery." Africa is a developing continent. Its carbon footprint is low relative to other regions. The switch to cleaner forms of energy comes at a cost which countries in Africa will have a hard time funding.<sup>111</sup>
- Issues of mobility and migration are important elements of the political discourse which Africa's leaders wish to engage in with European counterparts. The matter of forced return and readmission has been contentious.<sup>112</sup> Disagreements are likely to resurface.
- Post-Cotonou arrangements have left matters pertaining to trade largely unchanged and based on the controversial EPAs which have come in for wide criticism for continuing unbalanced trade regimes between EU and African countries. There had been hope, going into the post-Cotonou negotiations, that a successor agreement would give African governments more leeway to build up industrial capacity and markets, and boost growth in the creation of jobs. This did not materialise, and the matter of trade and the scaled-up ambitions of Africa with respect to a policy of industrialisation and market access remains the elephant in the room.

- In recent years, several European countries have framed their own "Africa Strategy".<sup>113</sup> This raises an important question regarding the extent to which Brussels and other EU member states share the same vision and approach with regard to Africa. While the EU from time to time raises the "Kissinger question" with respect to Africa – who speaks for Africa?, on certain issues the same can be asked of Europe. Stronger relations between Africa and the EU depend on Europe being very clear on its own shared vision of the future of its relationship with Africa.
- In Africa and in other parts of the developing world, there is a view that it is important to focus on economic growth as the first order of government's business. Issues pertaining to human rights, active civil society engagement in decision-making and others are seen as aspirational values, to be tackled after growth and efforts to reduce poverty and provide basic needs have been met. In addition, cultural contexts, norms and traditions are seen as the reference points for framing such discussions. This makes discussions on the notion of shared values difficult in some respects as Africa and the EU enter the discussion from different vantage points.<sup>114</sup>
- Issues of race and reparations, return of cultural artefacts and more represent additional areas in which EU and African values and interests are not in sync. These reflect the wider global debate among and within societies with colonial pasts that are on the ascendancy.<sup>115</sup> Such discussions bring issues to the fore which have not normally featured as central to previous summits though they have no doubt simmered in the background. Given the groundswell of attention to these issues worldwide, African leaders may use this momentum to identify aspects of these as matters which the strategy should address.
- In addition to areas of values which may not necessarily be shared and require further exploration, the notion of 'mutual interests' – how and by whom these are defined, operationalised and managed, and how these support or hinder the implementation of the strategy, are all areas which lend themselves to further interrogation.



## 7. Support Africa's Economic Transformation by Boosting Trade and Investment

Both trade and investments are important to Africa's transformation. While Africa has emerged as an important 'growth pole' attracting growing shares of FDI globally, these flows are volatile.<sup>116</sup> In an attempt to boost more sustainable trade and investment flows, consideration should be given to the following:

### 7.1 Trade

**The terms of trade with the EU are felt to constrain Africa's development.**

**Improved Terms of Trade.** One of the main priorities for African leaders under the new strategy is the opportunity to improve terms of trade with the EU. This is critical to enabling the development of domestic and regional manufacturing with a view to creating new global value chains to increase high-value exports of finished goods to the EU and elsewhere. The terms of trade associated with the EPAs should be reviewed as they are felt to constrain Africa's ability to engage in higher-value exports. There seems to be some German support for this action; the country can take the lead in advocating a review of the various EPAs and FTAs which the EU and its member states have with Africa. The principle of fair trade is important. For example, adverse terms of trade negatively impacted Africa's textile industry due to imports of cheap second-hand clothing from the US market under the US African Growth and Opportunity Act.

**Focus on new sectors with potential to create jobs and add value.** Most African countries depend on natural resource use (tourism), extractive industries or agriculture to generate employment. These sectors generally produce low-paying jobs and low levels of employment. Africa's economic transformation requires diversification into sectors that can generate better-quality and better-paying jobs. The ILO notes that the sectors which attract the most FDI (such as mining and fuel) do not produce the most jobs.<sup>117</sup> Investments in the manufacturing and industrial sectors, services, including e-commerce, education technology, healthcare technology, the creative industries, financial services including fintech and others have the possibility to sustain economic diversification and produce higher-quality jobs in Africa and should be the target of greater focus.

**Support Digitalisation.** EU engagement should extend to support digitalisation in Africa in a manner which is fair and supportive of African autonomy to develop its own digital industry and regulations while supporting the public sector capacity to deliver digital services, as well as enhanced possibilities for SMEs' integration into the global economy.<sup>118</sup> A recent ILO report identified innovations in the digital age as having a promising role to create jobs in tourism, financial services and agriculture.

**Improve the ease of access to existing EU funds.** This includes the EIP and EIB funds. EFI application and disbursement procedures should be streamlined and processing time significantly reduced.

**Blending and various instruments under the EFSD have not been found to be effective** in dealing with issues of poverty and should be assessed.<sup>119</sup>

**Hedge foreign exchange risks** by providing more loans in local currency.

## 7.2 Investments

**Improve the Investment Environment.** Assist businesses in assessing risks and the instruments available by consistency in defining commercial and political risks across EU funding instruments. Harmonise bilateral treaties involving tax and investment regimes across African states to enhance investment and regulatory environments, attracting greater flows of FDI. Ensure equal treatment for foreign and local companies with respect to rule of law. Anti-corruption agencies should be established and strengthened, as should standards and principles of international law. Establish a Pan African arbitral facility to provide certainty to European and African investors regarding rule of law issues, mediation and arbitration.

**Taxes and Incentives.** While issues pertinent to the regulatory environment receive much needed attention in the strategy, those related to the taxation of European firms operating in Africa and access to EU markets by African companies also require discussion. European firms should be required to pay their fair share of taxes in Africa. Also large-scale joint

**Respecting the rule of law is important for a better investment environment.**

ventures should contribute to social infrastructure funds, such as schools and healthcare services in the communities in which they operate. Such contributions should be offset against tax credits or other incentives.

**Risk reduction strategies can encourage private sector investments.**

**Risk reduction strategies.** These should be facilitated by the new agreement to encourage greater private sector investment flows. Initiatives could include capital market issuances, easily accessed first loss guarantees, and local currency financing, among others.<sup>120</sup> Export promotion and other insurance-backed schemes promoted by the EIB should be augmented given their importance in reducing the risk associated with developing trading and business links with countries in Africa.

**Move away from the prescription of one-size-fits-all.** Africa is a huge continent with countries at varying levels of development. Policies should be aligned with what various regions identify as those most supportive of their development.

**Strive for Policy Coherence.** Policy coherence should be a priority among all measures taken at the EU-AU partnership level to ensure that they are mutually reinforcing.

## 8. Targeting the Business Sector

Improvements to the regulatory frameworks for business facilitation and investment approval procedures, bridging infrastructure gaps, enhancing investment in human capital development and promoting technological innovation, transfer and dissemination are all important factors as Africa seeks to unlock the promise of its business sector as the engine of growth across the continent.<sup>121</sup> In addition, it is recommended that consideration be given to the following:

**Support African Start-ups & Fintech.** The need for online banking services and virtual banking during COVID-19, combined with faster connectivity, has attracted increasing international investment to African start-ups amounting to \$ 1.4 billion in 2020.<sup>122</sup> Four African start-ups have reached unicorn status with valuations above \$ 1 billion.<sup>123</sup> Micro, small and medium-sized enterprises and start-ups deserve special attention given the challenges they face in scaling-up production and the important role they play in development.

**Find solutions to the financing needs of the 'missing middle' by supporting financing intermediaries.** Enterprises whose financing needs are larger than microfinancing but smaller than traditional institutional financing have usually faced problems in accessing funding.<sup>124</sup> Suitable intermediaries such as national development banks should be sought and identified to provide windows through which smaller tranches of funding can be made available to microenterprises in the informal sector to assist their growth and movement to the formal sector.

**Establish technology and business hubs in Africa and incubator platforms.** Use the examples of Mauritius and the Zimbabwean Trade Information Centre to assist in creating conditions for growth and development and in attracting flows of tech-related investments.<sup>125</sup>

**Target programmes for women.** While Africa leads the world in the number of women starting businesses, they face barriers including unequal access to finance that slow their growth.

**Design a strategy for well-paying jobs for Africa's youth.** Specific interventions are required in education and skills to break the cycle of informality of work. However, the continent's macro-economic performance, governance structure and political stability all have a role to play in providing the environment conducive for the creation of decent jobs.

**Some African enterprises face problems in accessing funding.**

Focusing only on supply-side measures through enhancing the skillsets of young people will not be enough; already some African countries experience an over-supply of tertiary level graduates "leading to a decrease in returns on tertiary level education over the past ten years"<sup>126</sup> pointing to some degree of skills mismatch in some countries.

**Support Labour market information systems.** Access to information and data, particularly in the labour market, is poor across much of Africa. This makes it difficult to undertake labour market analysis on which to compare existing employment levels and skillsets with an extrapolation of future needs. EU support for the development of functional systems linked to national statistical bureaus would enhance their ability to undertake manpower audits and labour market analyses.

**Support African businesses to meet EU and international quality standards** and traceable supply chains.

**A Joint AU-EU Business Council would allow for enhanced dialogue.**

**Support the Capacity of Private Sector Organisations.** Support the Pan African Business Association and organisations such as the Chamber of Commerce & Industry representing fifty national chambers.<sup>127</sup> A Joint AU-EU Business Council would allow for continent-to-continent interaction and dialogue, as well as providing a platform to monitor and review progress. Partnerships between African and European business organisations also have a role to play. These are currently relatively weak and do not feed into the policy-making process.

**Support public-private sector partnerships which provide work for local groups** while steering away from those which create neither additional value, technology or knowledge transfer or serve only as conduits for rent-seeking investments.<sup>128</sup>

**Monitor & Evaluate for Results.** Modalities for measuring the impact of European-financed projects should include a list of variables including the share of local content, jobs created, fiscal impact and local participation.<sup>129</sup>

## 9. Strengthen Prospects for Africa's Integration

The business sector has been identified by the International Trade Centre (ITC) as the main beneficiary of a successful FTA in Africa. While trade liberalisation can result in lowering production costs, enhancing value chains and generating a wider array of goods and services, greater competition can also result in loss of viability for some enterprises as systems of protection are lifted, and production and demand move from higher to lower cost centres.<sup>130</sup> Among the initiatives which require consideration are the following:

**Greater competition can result in loss of viability for some enterprises.**

**The EPAs should be integrated into on-going discussions on the building of the internal market.** While they represent opportunities for European businesses to gain greater access to Africa's markets, they should not provide obstacles to the development of Africa's single market.

**Develop partnerships to support the technical requirements of the AfCFTA.** These include the development of databases, protocols and other technical requirements for generating trade information and statistics. Together with the ITC, the EU announced creating the African Union Trade Observatory, an important institution to shore up data deficits across the continent.<sup>131</sup> However, the scale of the AfCFTA's implementation challenge is significant and more partnerships, with the G7 for example, would provide a significant boost to current efforts.

**Optimise the internal market.** Initiatives aimed at maximising value chain development through regional integration should focus on reducing obstacles to intra-regional trade like infrastructure, transport costs and customs operations, among others.

**Support those who stand to lose due to the internal market through skills & retooling.** Specific programmes should be targeted at those who are less equipped to face competition as internal markets liberalise.<sup>132</sup> Programmes for less-prepared countries and regions should form part of the strategy.

**Support Africa in its attempts to develop an African citizenry.** The principle of free movement of people across borders is fundamental to regional integration. Free movement provides not only conditions which support the creation of economic dynamism but also assists in building a sense of continental citizenship.<sup>133</sup> The EU and European civil society groups and think tanks can play an important role in assisting Africa to realise the true potential of all its people.

**EU experience can provide guidance to the AfCFTA Secretariat.**

**Support capacity development of the AfCFTA Secretariat.** The EU is a model of the benefits of integration and a strong advocate for this modality in its various partnership agreements. EU experience and technical support can provide guidance and insights to both the legislative agendas as well as specific aspects of policy dealing with the functioning of a single market.

## 10. Africa's Post-COVID Recovery

The costs associated with post COVID-19 recovery across Africa will be high. At stake are the social and economic gains of the last several years and best and worst-case scenarios place Africa's GDP/capita recovering at 2019 levels by 2024 and 2030 respectively.<sup>134</sup> The EU has been at the forefront of OECD countries advocating special attention to Africa's unsustainable debt levels and other needs in the wake of the pandemic. Other countries have also come to the aid of Africa, including China, who has signed debt relief agreements or reached debt relief consensus with nineteen African countries.<sup>135</sup> Nonetheless, when debating the EU's MFF 2021-2027 budget, some member states – unsurprisingly – expressed the view that the budget should be focused on EU recovery as the scale of financing requirements across Europe began to take shape.<sup>136</sup> The following issues should be taken into consideration:

**Greening Africa's Recovery.** EC President von der Leyen has called for an African Green Deal as the centrepiece of the continent's recovery.<sup>137</sup> There is a sense that great potential lies in renewable energy and the EIB is committed to "covering the risks in Africa, either by private investors or by governments of African countries."<sup>138</sup> In the case of Africa, however, many African countries fear that they are unable and unlikely to move as fast on green value chains as European counterparts and will be penalised. Europe is also better resourced than Africa which is disproportionately affected by the effects of climate change, yet it emits approximately 3 percent of carbon emissions.<sup>139</sup> With its goal of industrial development, the continent's emissions will increase. This will be an important by-product in the creation of jobs, and discussions on how these might be offset should be started.<sup>140</sup>

**Social Protection & Inclusion.** The focus on decent work and quality of work should adhere to standards which respect labour rights, social protection and frameworks for inclusive social dialogue. Moreover, it should identify means by which the EU honours the commitment to devote 20 percent of its development assistance to issues of human development and social inclusion.<sup>141</sup> In addition, the relationship between civil society and African governments is usually difficult, making discussions around the partnership more state-to-state driven than inclusive of other voices. The EU should work with African states to find mechanisms to increase the role of civil society in implementing the new EU Strategy with Africa. A consultative process should be initiated with stakeholders on priority areas in the strategy and actions in the area of job creation.<sup>142</sup>

**Africa cannot move as fast on green value chains as the EU.**



## 11. A Joint Programme for Education and Skills

**Focus on the Labour Market.** High levels of youth unemployment are characteristic of the labour market in most African countries, yet, due to a mismatch between the labour market and available skills, many businesses face challenges in recruiting skilled workers. The strategy should facilitate and greatly enhance cooperation on technical and vocational training to equip the labour market with the skills necessary for business sector growth and development. In this regard, consideration could be given to expanding the German model of apprenticeship and technical vocational training to African countries through pilot programmes in a number of regional hubs.

**Social partners need to be involved in training and education initiatives.**

**Engage Social Partners in training and education initiatives.** The ILO points to a deficit in engagement with social partners at all levels as important impediment to ensure skills are matched to the development of the continent concluding that "developing better performing skills systems through active social dialogue at the national, sectoral and local level and aligning them better with economic development and employment creation is key."<sup>143</sup>

**Exploit opportunities promoting green skills** in formal and informal education and training systems including that of local knowledge.

**Launch an alliance for jobs and skills training** with international and European partners.<sup>144</sup>

**Support avenues of legal migration to Europe** for specialist training.

## 12. The Mining Sector

The previous discussions in sections 7 to 11 are all pertinent to the agriculture and mining sectors, particularly in the areas of enhanced terms of trade and investments, and are viewed as cross-cutting. These will not be repeated here, but a few observations will be made relative to the mineral sector given the wealth created by Africa's minerals and ores outside of Africa. There is a need to ensure that Africa's resources play their fair share in contributing to the development of the continent. This can be accommodated not only through the review of existing contracts where feasible, but also by ensuring that communities benefit from their fair share of the wealth they create.<sup>145</sup> Initiatives aimed at banning child labour and supply chain accountability are steps in the right direction, but these target the symptoms rather than the root cause of these practices, namely abject poverty. Ensuring that more value from extractive industries remain in Africa is one sure way of reducing the levels of poverty which make child labour a reality in many parts of the continent. The following are some of the political and policy steps the EU can support to enable Africa to exploit a greater share of its mineral wealth for its development:

**Africa's resources need to contribute to the development of the continent.**

**Support the African Mining Vision (AMV)** established by the AU in 2009 with the objective to ensure that Africa's mineral resources play a pivotal role in contributing to the continent's development with profits more fairly distributed between social groups, governments and mining companies.<sup>146</sup>

**Support the movement away from a rent-seeking economy to a shared growth economy.** In poor countries, the allocation of new resources to nationally defined priorities, especially when foreign-owned, are not always subject to national control. The EU can play an important role in the multi-lateral arena to ensure that principles regarding equity are agreed in order to improve the contribution of mineral resource extraction to sustainable development, allowing Africa to increasingly finance its own development.

**Contribute to the Extractive Industries Transparency Initiative** which follows income flows from industries and tracks what is paid to countries.<sup>147</sup> The EU can work with the AU to ensure that European companies respect AMV guidelines on tax evasion and avoidance including the abuse of tax havens to reduce liabilities to African countries.

OECD countries recently announced success in framing a **global tax on profits** made by the world's largest firms. Such a model can be considered with respect to the African mining sector.

**Support Civil Society organisations both in Africa and Europe** to jointly enhance their capacities to monitor the environmental, social and economic dimensions of mining contracts and activities.

**Support companies** in developing the principles of corporate social responsibility.

**Infrastructures should be integrated into national infrastructure networks.**

**Reduce enclavism.** Progressive policies are needed to ensure that extractive industries, heavily invested with foreign capital, especially when geared to export markets, are aligned with the development needs and goals of the countries involved.<sup>148</sup> Quite often, infrastructure is not integrated into the wider network of national infrastructure and future planning requirements, and ultimately constrains opportunities for strengthening infrastructural linkages across countries and the continent. The future needs of host countries should be considered.<sup>149</sup>

## 13. Leveraging Trends for A Better Future

There are, in addition, several trends which can be leveraged in support of Africa's development and future outlook, and the new EU Strategy with Africa can play an important role in their support.

### 13.1 Africa and Europe: Divergent Demographic Trends – Seeds of a Partnership

Africa's and Europe's demographics are trending in opposite directions. The 'twin continents,' side by side, face very different trajectories: one aging and contracting, the other youthful, in need of jobs.<sup>150</sup> By 2050, Africa's population is projected to be more than four times that of the EU.<sup>151</sup> In a paper entitled: "Divergent Demographics: Seeds for an EU-Africa Partnership" the author argues that Africa's need to create jobs and Europe's impending skills gap can both benefit from a joint approach, assessing labour markets and developing programmes of skills and competencies in Africa for both markets.<sup>152</sup> Although the issue of migration is a politically sensitive one in Europe, these differing set of demographics present opportunities for an agenda of cooperation around the labour market with potential to unlock future benefits for both continents.<sup>153</sup>

### 13.2 Cooperation, not Competition with China and other Actors in Africa

Much has changed in the relationship between the EU and Africa since the first summit in Cairo in the year 2000. Challenges to Europe's predominant role as the continent's primary partner by other global actors are noteworthy in this respect. So too is the fact that Europe's share of global wealth has declined from 25 percent thirty years ago, and will be equal to that of India, below the USA's share of 14 percent and less than half of China's by 2040.<sup>154</sup> A struggle for competing interests in Africa is not in Africa's interest, nor is it in Europe's long-term interest. Furthermore, China has played an important role in Africa's development and integration through the delivery of capital infrastructure projects. Important among these is the Mombasa-Nairobi railway.<sup>155</sup> The Addis Ababa-Djibouti Railway, opened in 2018 as a joint venture between Ethiopia and Djibouti, is another example. Both railways have enabled landlocked countries to bring their goods to ports,

**Europe's share of global wealth is declining.**

reducing the time and cost of freight and articulate into global value chains. A regional oil pipeline jointly developed by companies in France, the UK and China will transport oil from Uganda for export through the Republic of Tanzania's ports.<sup>156</sup> Tanzania will also revive a \$ 10 billion port project with China as the main investor.<sup>157</sup> The supply of foreign financed infrastructure in Africa is a positive element in attracting additional sources and volumes of FDI to the continent and opening new areas for development.

**The EU could consider partnering with China on Africa's development.**

On July 7, 2021, China's President Xi Jinping floated the idea of an "Africa Quad" with Germany and France in partnership with Africa to support African development in a four-party framework.<sup>158</sup> The two European leaders are invited to join Beijing's Initiative on "Partnership for Africa's Development" launched with African countries in May 2020, which will be discussed at the upcoming Forum on China-Africa Cooperation (now in its twentieth year) in September 2021. The EU has partnered with China on issues of global governance. They have worked together on reducing piracy in the Horn of Africa and on the nuclear deal with Iran. A deal on Africa with China, however, might not receive the support of the EU's most important strategic partner, the USA, and may induce the perception of a weakening EU presence in Africa, all of which would require careful analysis. The idea however merits consideration. China's investments in capital infrastructure in Africa are opening new areas for development and can be used as platforms to support European investments in Africa resulting in wins for China, Africa and Europe.<sup>159</sup> The EU should carefully consider the possibility of such a new framework within which to provide support to Africa, keeping in mind the potential benefits that it might entail.

### **13.3 Build on and Modernise the Practice of Informal Apprenticeships in Africa**

Informal apprenticeships across Africa play an important role in skills training in Africa. Targeted investments in modernising and upgrading them as well as providing greater access to work-based learning programmes can provide a boost to the employability of African youth and solidify the link between informal apprenticeships and the formal sector and its systems. There is a growing awareness in Africa and among the continent's development partners of the need for TVET investments.<sup>160</sup> Harnessing transformative technologies emerging in the green economy and the opportunities presented by the demographic bulge can create a world of possibilities and positive outcomes for Africa and its people.

### 13.4 Support Africa's Budding Entrepreneurial Talent and Energy

As connectivity continues to improve across the continent, Lagos, Johannesburg, and Nairobi are emerging as hubs of innovation, creativity and talent and their growth can be supported to enhance skills and new business development. Google and Facebook are building undersea cables linking 20 countries to Europe and the Middle East while companies such as Zimbabwean-owned Liquid Intelligent technologies are linking Africa from east to west via fibre optic cables.<sup>161</sup> Tech-based innovations in health, retail, finance and logistics are new growth areas, ripe for investment. An interesting Financial Times article notes the success of African start-ups as they penetrate other emerging markets including the Philippines, Mexico and India.<sup>162</sup> A constraint on growth is the need for venture capital past the early stages of start-up; increasingly the void is being filled by both US and Chinese investments. European businesses should not lose out on these new investment prospects.

### 13.5 Support South-South- and Triangular Cooperations and Regional Growth Poles

South Africa and Morocco are increasing joint ventures with other African countries as Africa continues to develop home-grown models of South-South cooperation across the continent. These bring the added benefits of deepening prospects for Africa's integration through commerce and investment flows. Morocco for example has joint ventures with Ethiopia, supporting that country's agricultural sector to double yields through joint ventures in fertiliser plants using the potash and other mineral deposits found in Morocco. A practical, differentiated programme of support to African countries and regions would be in keeping with the continent's diversity. Regional hubs already developing in South Africa, Kenya, Rwanda and Nigeria can be supported as regional champions and incubators of innovation.

**Regional economic hubs are incubators of innovation.**

## 14. Conclusion

**For a strategy  
WITH Africa, Africa's  
priorities require  
greater resonance.**

The EU-African relationship is an important one, with benefits accruing to both sides. The new EU Strategy with Africa provides a framework for allocating important and much needed resources to specific outcomes. In some respects, however, the strategy does not go far enough in addressing issues at the heart of Africa's development. Job creation and economic transformation in Africa are the subject of this report. Both are priorities for Africa. Job creation is slated to be Africa's biggest challenge in the decades ahead and requires bold actions targeted at Africa's economic transformation. These require unlocking the full potential of the continent's resources in support of the challenges ahead. This demands an alignment of policies, financial instruments and specific actions not only on the part of Africa, but also on the part of its partners. However, actions which would spark the type of transformation needed and the jobs required are not well represented in the EU Strategy with Africa. In this respect, the current political and policy framework at the European level does not appear to be sufficiently ambitious and does not go far enough in supporting Africa in meeting its most urgent priorities. While tone matters, actions matter more. If the strategy is to be genuinely one **with** Africa, then Africa's priorities require greater resonance. In return, Africa must be willing to come to the table ready to negotiate compromised positions on issues related to governance, values and human rights and the inclusion of civil society in decision-making, which are important parts of the value system Europe brings to the table.

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- <sup>79</sup> RECs are integrated at the level of Common Market, others at Free Trade Area, Economic Community, Regional Cooperation, Economic & Social Union, and Free Trade Area and Customs Union.
- <sup>80</sup> Len Ishmael. Africa's Integration. Not an Option but an Imperative. Op. cit.
- <sup>81</sup> Adetunji Bolorunduro. Can Private Investments Bridge Africa's Infrastructural Gap? <https://richtopia.com/global-economics/can-private-investments-bridge-africas-infrastructural-gap/>
- <sup>82</sup> Ibid.
- <sup>83</sup> Len Ishmael. Africa's Integration. Not an Option but an Imperative. Op. cit.
- <sup>84</sup> African Development Bank: Importance of regional and continental integration for Africa's development. Press Release. 3 December 2018. <https://www.afdb.org/en/news-and-events/importance-of-regional-and-continental-integration-for-africas-development-18773>
- <sup>85</sup> Len Ishmael. Africa's Integration. Not an Option but an Imperative. Op. cit.
- <sup>86</sup> Len Ishmael. European Union: Africa, Caribbean, Pacific. Post Cotonou Negotiations 2018-2021. Konrad Adenauer-Stiftung. Podcast April 2021.
- <sup>87</sup> Ibid.
- <sup>88</sup> The recent EU support for the African WTO candidate, while a break from America's support for the South Korean candidate, was nonetheless consistent with the EU's support for Africa.
- <sup>89</sup> Len Ishmael. Africa & Europe: Different Demographic Trends. Op. cit.
- <sup>90</sup> The overwhelming numbers of displaced and migratory populations of African heritage are displaced within their continent.
- <sup>91</sup> Len Ishmael. Africa & Europe: Different Demographic Trends. Op. cit.
- <sup>92</sup> African Union. The Africa-EU Partnership. The Partnership and Joint Africa-EU Strategy. <https://africa-eu-partnership.org/en/partnership-and-joint-africa-eu-strategy>
- <sup>93</sup> Len Ishmael. EU-Africa Relations Post Cotonou. Op. cit.
- <sup>94</sup> Len Ishmael. European Union: Africa, Caribbean, Pacific. Post Cotonou Negotiations 2018-2021. Op. cit.

- <sup>95</sup> While there had been concern on the part of several OACPS members regarding the extensive delay between the conclusion of post-CPA negotiations on December 3, 2020 and the signing of a new agreement, the fact that the latter was initialised on April 15, 2021, has allayed fears that texts would be reopened to push through convergence with more desirable outcomes of the EU-AU Summit.
- <sup>96</sup> Ibid.
- <sup>97</sup> Ibid.
- <sup>98</sup> Velina Lilyanova. Financing for Africa. Op. cit.
- <sup>99</sup> Ibid.
- <sup>100</sup> Ibid.
- <sup>101</sup> European Commission. Africa – EU Partnership. 9 March 2020. [https://ec.europa.eu/international-partnerships/topics/africa-eu-partnership\\_en](https://ec.europa.eu/international-partnerships/topics/africa-eu-partnership_en)
- <sup>102</sup> Ibid.
- <sup>103</sup> In late 2020, the EC took the opportunity to undertake deeper discussions with stakeholders of both continents through a series of initiatives including the Debating Africa-EU series in the space provided by the rescheduling of the EU-AU Summit. This may have been in response to criticism from civil society groups that insufficient consultation had taken place.
- <sup>104</sup> For example, initiatives of human development affecting women and youth were not linked to more comprehensive formulations to tackle all aspects of discrimination and inequality. Concord. Analysis of the joint EEAS EC Communication "Towards A Comprehensive Strategy with Africa." May 2020. [https://concordeurope.org/wp-content/uploads/2020/05/CONCORD-analysis-of-Joint-Comm.-\\_Towards-a-comprehensive-strategy-with-Africa\\_FINAL\\_May2020.pdf](https://concordeurope.org/wp-content/uploads/2020/05/CONCORD-analysis-of-Joint-Comm.-_Towards-a-comprehensive-strategy-with-Africa_FINAL_May2020.pdf)
- <sup>105</sup> Ibid.
- <sup>106</sup> Ibid. The absence of the European Consensus for Development and the Paris Accord as the overarching frames of reference for the EU's development cooperation with Africa, and the lack of reference to the European principle of "leaving no one behind" are seen as weakening the overall ambition of the partnership
- <sup>107</sup> Ibid.
- <sup>108</sup> On the eve of the "mini summit" planned at the end of 2020 between EU-AU Heads of State, tensions simmered as a result of several factors, including setting the agenda and frustration on the side of African officials that the EU was driving the agenda with little space for consultation. The AU's last-minute cancellation of the AU-EU leaders meeting was interpreted as a lack of confidence in the EU's commitment to a stronger partnership. Cécile Barbière. EU-Africa summit conclusions blocked over

forced return of migrants. EURACTIV. 17 December 2017. <https://www.euractiv.com/section/africa/news/eu-africa-summit-conclusions-blocked-over-forced-return-of-migrants/>

- <sup>109</sup> "We don't believe in imposition of development policies because something that is imposed without your will won't last long. That is exactly what has happened in Africa in the past and Ethiopia would like to see that come to an end. Ownership means you take your destiny in your hands, that you own the policies and the strategies that you think are good for Ethiopia and good for Africa. This however does not mean that we shall not work with our partners. But partners should work in terms of our policies." Ethiopia's Ambassador Teshome Toga Chanaka to Belgium and the EU (2018). Ethiopia's Ambassador took over the presidency of the 79-member ACP group of Ambassadors in 2017 following the end of the author's tenure in the role. Remarks were made on 26 January 2018 in an interview with EURACTIV's Georgi Gotev. Ethiopian ambassador: Development partners should work in term with our policies. <https://www.euractiv.com/section/development-policy/video/ethiopian-ambassador-development-partners-should-work-in-term-with-our-policies/>
- <sup>110</sup> Benjamin Fox. New EU-Africa pact must deepen trade ties, minister says. EURACTIV. 21 October 2020. <https://www.euractiv.com/section/botswana/news/new-eu-africa-pact-must-deepen-trade-ties-minister-says/> Botswana's Trade Minister Peggy Serame. Message to EC officials.
- <sup>111</sup> Even in Europe, the unveiling of the EU's ambitious new Green Deal has brought pushback from shipping, aviation, construction and several other sectors and industries.
- <sup>112</sup> Migration is a shared competence between the EU and its member states and was particularly contentious during post-Cotonou negotiations as the EU sought to derive internal consensus around elements of the new Pact on Migration.
- <sup>113</sup> These include France, Germany, Italy, Spain, Sweden, Hungary and more recently Estonia.
- <sup>114</sup> One recalls that issues related to the forced return of migrants as well as sexual and reproductive rights blocked the publication of the conclusions of the 2017 EU-Africa Summit one full week after the end of debates in Abidjan.
- <sup>115</sup> President Macron recently acknowledged France's "terrible responsibility" for the Rwandan 1994 genocide, and Germany publicly acknowledged its role in human rights abuses in Namibia a few days later (May 28<sup>th</sup>, 2021) offering \$ 1.3 billion in reconstruction and development aid. Eyder Peralta. Germany Formally Acknowledges Colonial genocide in Namibia, will Pay reparations. NPR. 28 May 2021. <https://www.npr.org/2021/05/28/1001376494/germany-formally-acknowledges-colonial-genocide-in-namibia-will-pay-reparations?t=1626501201747>

- <sup>116</sup> FDI to the continent increased from \$ 10 billion in 2000 to more than \$ 88 billion in 2008, however, by 2017, shares had declined to \$ 42 billion due largely to slumps in fuel and commodity prices. While 2019 registered a small uptick in flows to \$ 46 billion, shares declined again to \$ 38 billion in 2020. UNCTAD. World Investment Report. 2018.
- <sup>117</sup> This might be a result of the fact that revenues from oil exploitation for example are used to subsidise consumption rather than investments in education infrastructure and social protection. The ILO estimates that Investments in the extractive sectors produce 0.61 jobs for each \$ 1 million invested; manufacturing 2.75 jobs, customer contact centres 61 jobs by comparison.
- <sup>118</sup> Concord. Analysis of the joint EEAS EC Communication "Towards A Comprehensive Strategy with Africa." Op. cit.
- <sup>119</sup> Eric Buhl-Nielsen et al. Evaluating of blending – Final report. Volume 1. Commissioned by DG DEVCO, European Commission. December 2016. [https://ec.europa.eu/international-partnerships/system/files/evaluation-blending-volume1\\_en.pdf](https://ec.europa.eu/international-partnerships/system/files/evaluation-blending-volume1_en.pdf)
- <sup>120</sup> Ibid.
- <sup>121</sup> Ibid.
- <sup>122</sup> In June 2021, the Nigerian fintech Fair money raised \$ 42 m in an investment round led by a New York hedge fund Having received Central bank approval to take deposits, the company disbursed small loans averaging \$ 65, with a cumulative value of \$ 93 million to 1.3 m people and microenterprises. David Pilling. African start-ups need investors close to home. Financial Times. Opinion. Europe Edition. 16 July 2021.
- <sup>123</sup> Ibid.
- <sup>124</sup> Commercial financing institutions are largely averse to lending to SMEs. While a solution has long been that of creating financing intermediaries rather than direct funding through commercial banks, the challenge for investors and development partners lies in the risks associated with SMEs including the relatively small amounts needed and the relatively high costs of funding them. Trevor Hambayi. Why the Future is African. Op. cit.
- <sup>125</sup> ILO. Report on employment in Africa. Op. cit. The ILO has cautioned on the need to ensure that existing inequalities between urban and rural areas are not exacerbated particularly in the youth labour market given the different levels of education and access to WIFI capabilities between rural and urban parts of Africa.
- <sup>126</sup> ILO. Report on employment in Africa. Op. cit. Reports note that education attainment among African countries remains low by international standards (75.4 percent in 2017, compared to global average of 91.4 percent).



- <sup>127</sup> Such organisations have important roles to play in ensuring that the views of the business sector are well integrated into the design and implementation of the AfCFTA. But they must be included in the discussions regarding the sector.
- <sup>128</sup> Concord. Analysis of the joint EEAS EC Communication "Towards A Comprehensive Strategy with Africa." Op. cit.
- <sup>129</sup> Ibid.
- <sup>130</sup> International Trade Centre. A Business Guide to the African Continental Free Trade Area Agreement. September 2018. [https://www.intracen.org/uploadedFiles/intracen.org/Content/Publications/AfCFTA%20Business%20Guide\\_final\\_Low-res.pdf](https://www.intracen.org/uploadedFiles/intracen.org/Content/Publications/AfCFTA%20Business%20Guide_final_Low-res.pdf)
- <sup>131</sup> Funded by an allocation of € 4 million from the EU Pan-African Programme, the trade observatory will collect and analyse trade data across borders in Africa to support both 'evidence-based policy-making,' and efforts at monitoring AfCFTA implementation and impacts. EU support to the AfCFTA implementation is an element of its wider Africa-Europe Alliance for Sustainable Investment and Jobs announced by former Commission President Juncker, which included an allocation of € 50 million over the period 2018-2020. The EU is also working in partnership with other multilateral organisations, including the World Customs Union and the United Nations Economic Commission for Africa (UNECA).
- <sup>132</sup> More jobs might be lost than created across the continent in the short- and medium-terms, impacting those in the informal sector who have the least by way of social and economic protection.
- <sup>133</sup> Len Ishmael. Africa's Integration. Not an Option but an Imperative. Op. cit. The EU reflects the political, social and economic benefits which accrue when citizens are able to move freely across borders to conduct business, engage in educational pursuits or tourism and cultural experiences. It is through such endeavours that the sense of a European identity has been forged over the years.
- <sup>134</sup> Ibid.
- <sup>135</sup> Ken Moriya Su, Tsukasa Hadano. China floats "Africa Quad" with Germany and France. Nikkei Asia. 7 July 2021. <https://asia.nikkei.com/Politics/International-relations/Indo-Pacific/China-floats-Africa-Quad-with-Germany-and-France>
- <sup>136</sup> Benjamin Fox. Partnership with a purpose: EU-Africa relations in 2021. EURACTIV. 8 January 2021. <https://www.euractiv.com/section/africa/news/partnership-with-a-purpose-eu-africa-relations-in-2021/> Some EU member states voiced critique that Africa, while imbued with a new spirit of assertiveness, seemed unwilling to attach more importance to issues of human rights and governance. In any event, at the end, generous financing support for Africa was agreed and the implementation of the EU Strategy with Africa provides specific resources to aid the continent's recovery.

- <sup>137</sup> These remarks were made at the EU-Africa Forum on Green Investment in Africa during which the President shared views that the Green Deal for Europe unveiled by the Commission on July 14, 2021, can play a similar role in Africa. However, the recent unveiling of the EU's plans has drawn stiff opposition from several sectors including shipping, aviation, automobile, construction and others, and, in many ways, Africa is different to Europe.
- <sup>138</sup> Joana Gomes. Von der Leyen calls for African Green Deal. EURACTIV. 27 April 2021. <https://www.euractiv.com/section/energy-environment/news/von-der-leyen-calls-for-african-green-deal/>
- <sup>139</sup> UN Fact Sheet on Climate Change. Op. cit.
- <sup>140</sup> In addition, several of Africa's economies are based on hydrocarbons, prominent among them Nigeria and Angola. While countries like Morocco have moved quickly to install vast solar farms in the desert, the discussion among carbon-dependant economies – much like European economies some of which are still engaged in dirty energy such as coal – will be politically and economically fraught.
- <sup>141</sup> Concord. Analysis of the joint EEAS EC Communication "Towards A Comprehensive Strategy with Africa." Op. cit.
- <sup>142</sup> Inadequate levels of non-state consultation in the process of implementing activities under the broad framework of EU-Africa relations are repeatedly identified as process failures. In an attempt to address this, four sectoral taskforces were established under the Africa-Europe Alliance for Sustainable Investments and Jobs in 2018 in the fields of digital, transport and connectivity and energy and rural Africa. These proved to be successful in providing platforms for deepening exchanges and ideas between stakeholders on both sides and the decision was taken to replicate these with the view to deepening discussions on global issues with the potential to affect both parties. Such initiatives are useful in that they bridge understanding and cultural gaps through dialogue and deepen the space for empathy and trust to be built. More importantly, they provide the space for all stakeholders to be engaged and for ownership to be included into the process. To build on momentum already secured and to enrich the process of implementing the EU Strategy with Africa, five Africa-Europe Strategy Groups were established in December 2020 with EU support, in the areas of sustainable energy and transportation, connectivity, agricultural and sustainable food systems, health and digital platforms. The objective is that these play a think tank and advisory role for all those committed to taking Africa-Europe relations to the next level. These are important initiatives. But space must also be found to hear the ordinary voices of African businessmen and women, young entrepreneurs and others who are the force behind the continent's continued growth and development and need to be functionally integrated into decision-making processes across the continent.
- <sup>143</sup> ILO. Report on employment in Africa. Op. cit.

- <sup>144</sup> Federal Ministry for Economic Cooperation and Development. Cornerstones of a Marshall Plan with Africa. Germany 2017. <https://www.bmz.de/en/countries/marshall-plan-with-africa>
- <sup>145</sup> Countless images have emerged of young children working with their hands, in pits, trying to extract the rare earths which form the core of so many personal items, such as smartphones. The same is true for many other extractive industries across Africa.
- <sup>146</sup> African Mining Vision (AMV): Grooming Home Grown Legal Experts for the Mining Sector. AU. 4 September 2015. <https://au.int/fr/node/14694>
- <sup>147</sup> Ibid.
- <sup>148</sup> Len Ishmael. Africa's Integration. Not an Option but an Imperative. Op. cit. There is a tendency for companies in Africa, many of which are multi-national corporations, to provide their own utility and infrastructure requirements. Although quite often necessary, the process invariably leads to the development of enclaves distinct from the surrounding countryside in terms of the standards and delivery of services and infrastructure provided.
- <sup>149</sup> Gozde Isik. Why regional integration is so important for resource-driven diversification in Africa. World Bank Blogs. 15 March 2016. <http://blogs.worldbank.org/trade/why-regional-integration-so-important-resource-driven-diversification>
- <sup>150</sup> Len Ishmael. Africa & Europe: Different Demographic Trends. Op. cit.
- <sup>151</sup> [https://ec.europa.eu/eurostat/statistics-explained/index.php/africa-eu\\_-\\_key\\_statistical\\_indicators](https://ec.europa.eu/eurostat/statistics-explained/index.php/africa-eu_-_key_statistical_indicators) In 1980, the populations of Africa and the EU represented respectively 11 percent and 10 percent of the world population. By 1995, the size of Africa's population exceeded that of the EU by close to 50 percent, becoming more than double that of the EU by 2016.
- <sup>152</sup> Len Ishmael. Africa & Europe: Different Demographic Trends. Seeds of a Smart Partnership. Book Chapter. Policy Center for the New South. PP-19/14. September 2019.
- <sup>153</sup> Len Ishmael. Africa & Europe: Different Demographic Trends. Op. cit. Cooperation could include sector-specific targeting of required skills, education and languages, the development of specialised curriculum and establishment of education centres in Africa supported by German-type models of apprenticeships.
- <sup>154</sup> Len Ishmael. The Trans-Atlantic Relationship. Op. cit.
- <sup>155</sup> Len Ishmael. Africa's Integration. Not an Option but an Imperative. Op. cit. The Nairobi-Mombasa railroad was mostly financed by China's EXIM Bank and operated by a Chinese company.
- <sup>156</sup> UNCTAD. World Investment Report. Op. cit.

<sup>157</sup> Ken Moriyasu, Tsukasa Hadano. *op. cit.* These projects all provide greater scope for the development of Africa, and the growth of business and investment opportunities. Over time, such infrastructure projects will play an even bigger role in Africa's integration and realisation of the AfCFTA.

<sup>158</sup> *Ibid.*

<sup>159</sup> Len Ishmael. *EU-Africa Relations Post Cotonou. Op. cit.*

<sup>160</sup> Indeed, in 2017, African governments requested development partners to support work to develop a Plan of Action for the African Decade for Technical, professional, entrepreneurial Training and Youth Employment.

<sup>161</sup> David Pilling. *African Start-ups need investors closer to home. Op. cit.* Connectivity gaps will be plugged by low orbiting satellites in the works from Elon Musk's Starlink.

<sup>162</sup> *Ibid.*