A real EU-Africa Partnership requires a game change

During its 5th meeting on 12-13 June 2019 in Brussels, the tripartite, independent High Level Group on Innovation in Trade Policy continued to 'think outside-the-box' on how to innovate trade policy-making in the EU. This task was given to these temporary think tanks, set up following an initiative in the Competitiveness Council.[1]

The High Level Groups are an 'open innovation' approach between governments, business and academia, to inject innovative policy ideas into the EU system.[2]

Executive summary

In Africa, Europe can make a difference. With Africa, Europe makes a difference globally.

In an innovative and comprehensive relationship with the African continent, a mutual win can emerge; in addition, it can be a role model for multilateral cooperation for the 21st century, for managing interdependence. This should be an overarching EU policy objective. A narrow focus on refugees, which we must help because of Europe's proclaimed values, and on economic migrants, which our demographic statistics tell we need, will not bring the economic growth in Africa which can provide the much needed jobs for its fast growing population (and thus reduce migration pressure). Nor will it bring new market opportunities for our business, which it also needs in the ever harsher competition in global markets and the uncertainty created by a long term USA-China conflictual competition. This requires a game change in its ways of policy making towards Africa.

Introduction

Despite the fact that the joint Abidjan Declaration of November 2017[3] already offers a multilateral basis to move forward, Commission President Jean-Claude Juncker announced yet another *new start in the EU-Africa relations* during his annual address to the European Parliament on 12 September 2018. If the purpose is to shift away from a development paradigm towards an inclusive economic

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[1] Council of the EU, 5-6 December 2011, Presidency Note.
[2] Members participate in their personal capacity. All recommendations for action and all ideas for further consideration have not always been agreed on by all members, but advice is based on a very wide consensus. The final version is written under responsibility of the chairman and the secretary general.
[3] Result of the 5th African Union – European Union Summit held in Abidjan, Côte d'Ivoire on 29-30 November 2017.

growth paradigm focussed on supporting the development of an African internal market, then this would be welcome.

Ties between the EU and Subsahara Africa are governed primarily by the 2000 Cotonou Agreement[4] and by the European Partnerships Agreements (EPA), though only the one with the Southern African Development Community (SADC) has been ratified and there is scant chance that the others ever will. There are widespread doubts as to whether these treaties are coherent and respond to Africa's current needs for economic development. In parallel, there is now an increasingly important African Union (AU)-EU relationship outside the ACP framework which frames political relations in the **Joint Africa-EU Strategy** (JAES) adopted in December 2007. Ties between the EU an North Africa are governed by the European Neighbourhood Policy with separate association agreements with single States.

But its emphasis has been on issues which the EU considers important (climate, migration, human rights), less on the socio-economic issues prioritised by the African countries. The traditional pillars of Europe-Africa relations – development, trade, political co-operation – still require a game change, in both their substance and their management, in order to bring coherence and to adapt them to new geopolitical and economic realities.

The AU decision at the Eleventh Extraordinary Session 17-18 November 2018 were in favour of a new "AU- EU continent-to-continent partnership" instead of an extended ACP-framework non including North Africa after 2020 "in order to help advance Agenda 2063 and its priorities, particularly with respect to peace and security, development, the African Continental Free Trade Area, and migration."

In addition, Europe's demographic decline brings another economic challenge: how do we ensure the continuation of its welfare state mechanisms and its services? Only with new technologies, or also with people? Africa has the opposite problem of rapid population growth, resulting in the challenge to improve education and create jobs. Could there be a grand bargain with mutual gains? The economic logic of major investments to be made to ensure a transition to a climate neutral economic system may dictate to seek a joint approach. At least the opportunities should be studied. Europe should not forget that it possesses a lever and a good will vis-à-vis Africa that it does not have with respect to the US and China.

[4] The JAES in turn gave rise to a variety of legal instruments, in particular the EU Emergency Trust Fund (EUTF) for Africa and the EU External Investment Plan (EIP), the latter including a European Fund for Sustainable Development (EFSD). It should be noted that the EU along with its Member states have concluded a specific Trade, Development and Cooperation Agreement (TDCA) with the Republic of South Africa.

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If there is no overall game change soon, emerging powers like China and India will overtake our traditional relationship (though neither have any trade agreements). Even if their investments lack transparency and often have a neo-colonial flavour, they are increasing their market share, not just in commodities but also in capital goods, and competing with Europe on both quality and price. Japan and other Asian countries are trying to follow. The USA is seeking to re-engage too. If there is a game change, then it would be possible to bring African countries alongside in the general EU efforts for a reformed WTO and support for the multilateral trading order, as well as on specific dossiers; given the rise of e-commerce and its potential importance for African economic growth, this could be a concrete area for cooperation. In the medium run cooperation should focus on CO2 free energy supply from water using solar and wind for Power2 X technologies.[5]

Complacent continuation of existing EU policy pathways is no longer an option. Europe must above all show bold, practical and outside-the-box thinking and implementation.

DRAFT RECOMMENDATIONS

I. Make the EU-Africa relationship a strategic Mission

Developing a partnership with Africa is a real mission for the EU in the next five years and beyond. But achieving a win-win requires a paradigm shift in thinking and management in the EU (and of course in the AU). One needs to (learn to) think outside-the-box, to challenge path-dependent thinking, in order to develop governance agility which matches the current technological and economic agility.

A Mission to achieve a Partnership with Africa, though recognising that Africa is very diverse, implies that a coherent strategy is developed with a **focus on cooperation with the AU and on the realisation of the Continental Free Trade Area (CFTA)**, the most promising own Africa initiative in years.

It should include following components:

- the realisation of the Sustainable Development Goals (SDGs), welfare systems and human rights for citizens;
- comprehensive economic cooperation on an equitable basis, focussed on development of (agricultural and manufactured) products and on services for the African market, and integration of African companies in global value chains;
- support for the development of comprehensive inter-African infrastructure links and an upgrade of those with Europe, including if necessary an inter-African "cohesion fund" to help those countries that might not benefit in the initial phase;

[5] www.ptx-allianz.de

- supporting investments of EU companies in Africa like for investments in European member states by using European Union´s structural and investment funds
- support for modernisation of its public administration systems, with a priority for customs and taxation to facilitate investments and trade;
- removal or at least significant reduction of non-tariff barriers, in particular in the agri-food sector;
- support for capacity building, education, and vocational and skills training (if necessary, fully exploiting the possibilities of the EU Financial Regulation to work directly with the private sector).

II. Innovate policy design and management

There is an urgent need to reduce, harmonise and update a plethora of strategies, policies, action plans and road maps concerning Africa in the European External Action Service (EEAS) and the Commission, and to give them a coherent framework and clear priorities. It will be unavoidable also to amend existing agreements and to bring coherence and priorities into the EU-African relationship.. There can be no complacency with vested interests hiding behind outdated concepts. There is an equally urgent need to ensure more policy coherence between Commission DGs and between the Member States.

To this end, it is highly advisable to nominate one knowledgeable Commissioner, or even a Vice-President, with overarching responsibility for this Mission of an equitable Partnership with Africa and for designing the collaborative methods needed to bring about a paradigm change. The focus must be in future on investment and trade and on research and innovation, aimed to realize the SDGs. All Africa related programs and funds should be brought under her/his responsibility. Also in the EEAS there should be a parallel reform to ensure coherence of Africa related policies and to support the Partnership strategy and more inclusiveness with other EU policies.

In order to increase understanding of African realities and hence EU policy effectiveness, both Commission and EEAS should make more use of the cognitive contributions which Afro-Europeans and qualified migrants/refugees can offer, as well as of (former) diplomats and (retired) business managers with deep Africa experience. The rigid human resources policy in both institutions needs adaptation to the current times; old mindsets need to be set aside. Proper training should be provided to officials dealing with Africa.

The role of aid money should be rethought to better respond to African needs. Aid should be seen as an accessory only if and when needed, and delivered in ways which stimulate endogenous economic growth and structural reforms. Instead the focus must be on investments and large capacity building efforts in the public and private sectors. Whatever funding will be foreseen should be provided in the context of the JAES and targeted at realisation of the CFTA.

Member States could also divide the various tasks, with groups of Member States focussing on issues of their choice, but always within the overall direction of the policy strategy under the direction of the proposed Commissioner for the Africa Partnership. Such coalitions of the willing and the able should be given priority over the slow search for unanimity.

Seen from Africa, the development of the AU into a real partner for the EU is still an aspiration. The EU should not seek to intervene and impose its model, which can be inspiring but which cannot be transposed to other contexts. Nevertheless, there is vast expertise and experience available in the EU which should offer to set up a system of 'public sector angels' (as practised in business to help start-ups or SMEs), be they academic experts or former officials and diplomats, whom the AU and African governments can call upon for temporary support or specific solution-finding.

Issues abound, for example managing large and small countries within one cooperative structure; the realisation of the four economic freedoms; temporary protection of specific sectors or countries; setting up of trade promotion councils; developing national or regional innovation ecosystems; designing links between trade and climate change and the respect of the Paris Climate targets; but equally linking trade and migration; developing a level playing field within Africa and as much as possible with Europe through standard setting; designing a new paradigm for capacity building, outcome focussed and stimulating public-private partnerships (the Global Alliance for Trade Facilitation being a good example).

On the Member State side, it is urgent to bring an end to waste and agricultural surplus dumping in Africa. To this end, some of the funds can be re-directed to Europe itself and used in combination with other EU mechanisms (such as structural funds) to bring about a more acceptable situation. It may also require amending some EU regulations, which provide unforeseen side-effects in industry.

In order to diversify and strengthen the EU overall positioning, it may be useful to open a second high level political dialogue, like with South Africa; Nigeria, the continent's most populous country, seems an obvious candidate.

III. Shift the focus to the Continental Free Trade Area

The effectiveness of the Economic Partnership Agreements (EPAs) is disputed; while some argue that they reflect the regional and cultural diversity of the African continent, the reality is that only one EPA has been ratified in Africa to date (the SADC). The current situation is characterised by a fragmented patchwork of agreements in which different parts of Africa have different degrees of preferential access to the European market. Moreover, the EPAs are not sufficiently equipped to deal with the huge technological changes in the world of trade. The traditional Cotonou framework has not resulted in significant economic growth and poverty reduction in Africa, and it is suspected to be a source of corruption in many countries. It is important that the Post-Cotonou negotiations result in an agreement that lifts Africa on track to realize the SDGs. The same is true for the Pan-African Economic Partnership Agreement, mentioned by outgoing EUC President Claude Juncker.

The Continental Free Trade Area (CFTA) which entered into force recently, is a modern and ambitious attempt to revitalize the all-African economy and must represent the cornerstone of the future EU-Africa relationship. While it might not be advisable to abandon the EPAs completely, Europe should work towards gradually integrating the EPAs along with other policy paths into one single CFTA stream and start by eliminating obstacles to the CFTA.

Similarly, all EU funds for Africa should be pooled into one fund for investments, with support from the EIB. The Commission should offer negotiations with the AU on building a genuine continent-to-continent free trade agreement, taking the CFTA as a basis, allowing for a certain period of time import tariff for European products if trade barriers and tariff inside Africa will be continuously reduced. Talks must not be limited to pure 'trade', but broadened to include the SDGs alongside investments, competition, intellectual property, security, migration and development co-operation (and issues mentioned above). A strategy to improve exports from Africa requires a focus on implementing the Trade Facilitation Agreements (TFAs).

Urgent and special attention is needed for mitigating the effects of climate change, which in Africa are far-reaching and have the potential to bring more armed conflict with resulting economic decline, social misery and migration streams. A special research fund may have to be set up in Africa, with EU finance, which could also contribute to widening research capabilities in Africa and to reduce the 'brain drain' i.e. emigration of its own scientists.

Since there is currently little inter-African trade, particularly due to non-tariff barriers like quality control and phytosanitary standards, one of the EU's primary goals should be the stimulation of intra-African trade. In effect this means helping Africans to create their own 'internal market' and **develop value-added products that they can trade internally**, as opposed to the traditional emphasis on exporting extractives. The CFTA is a good foundation for reaching this goal.

On the other hand, the EU should continue not to insist on full reciprocity in any future trading framework. It should be done on a sector by sector evidence-based approach, founded on the reality that African countries are simply not at the same level of economic development as their European counterparts. Therefore, a temporary period of 'asymmetric liberalisation' ought to be foreseen, whereby the EU market would be opened up to all African goods and services, while African countries could continue to protect sensitive sectors permanently. In addition appropriate protective mechanisms could ensure that nascent African industries and services are not undermined by an influx

of European products. One should not overlook agriculture in asymmetric liberalisation, a sector of great potential for sustainable African development and reduction of poverty, and in need of structural reforms and injection of modern science and technology to ensure that Africa can feed itself and the rural poverty disappears.

Africa's progress could also be helped through other measures, e.g. by allowing input from developing countries to be counted within rules of origin in free trade agreements between the EU and other developed countries or reduction from customs value for those parts in global value chains produced in LDCs (provided that social rights and environmental requirements are respected).

IV. Develop a partnership based on two cornerstones: trust and ownership.

A partnership cannot be based on a donor-recipient mentality. It must be based on a deeply shared understanding of mutual long-term interests and on clear priorities in the short and medium term.

As a start for this, more support is needed by the EU for AU-owned efforts to improve public governance and administration (such as the African Charter on Democracy, Elections and Governance, 2007; the African Governance Architecture, 2011; and others). Moreover, Brussels must avoid the tendency to dictate the priorities of the EU-AU relationship, which should be mutually respectful. The temptation for Europe is to focus on the migration challenge, but we must give priority attention to what the AU considers the most important priorities, e.g. the Accelerated Industrial Development for Africa (AIDA), and the Programme for Infrastructure Development in Africa (PIDA). Sustainable economic growth will automatically reduce migration pressures.

The current, rather limited cooperation between EU and AU (e.g. on election observation, or on public finance standards) should be broadened therefore to efforts for an all-encompassing modernisation drive. To achieve this, a joint agenda on public governance and administration modernisation should be developed by forward-thinking experts and practitioners from both continents with full involvement of the recipients of governance: civil society and business. In particular one should avoid a traditional legalistic approach in favour of a managerial approach of public sector innovation, in line with the current economic and societal requirements and technological possibilities Governance modernisation is a pre-condition for policy effectiveness and it should therefore be given a high priority in the future partnership.

A specific contribution to the CFTA and Africa's integration in global trade could be the establishment of semi-autonomous specialist trade councils, modelled on proven European examples (such as the Kommerskollegium in Sweden and others).

V. No continuation of past frameworks without foresight study and impact assessment

The effectiveness of all policy frameworks currently underpinning EU-Africa relations should be subjected to an independent impact assessment coupled with a foresight study, involving both African and European experts. This can be done in a relatively short time, given the abundance of available evidence about what has worked and what has not.

For policies to be effective, it is necessary to review whether contextual conditions and regulatory trajectories decided on long ago have delivered the desired outcomes and to evaluate various alternative policy scenarios in order to come to a decision on which policy orientation should be taken. The purpose should not be to 'underpin' a policy choice that was already made at the outset because of vested views or interests.

An impact assessment is not complete without a foresight study. Foresight, future-oriented thinking, is an indispensable policy instrument in the context of rapid socio-economic and technological changes. It often requires changes in the culture of an organisation.[6]

All too often, policy makers think in terms of legislative periods rather than taking a future-term view and act in ways which are, as a consequence, both short-ranged and reactive. By contrast, government foresight aims to improve political decision-making by taking into account long-term and uncertain developments and deriving strategies for governments from the knowledge and insights acquired.

VI. Set up an independent joint advisory body

It will be particularly useful to ensure policy coherence and strategy planning in the Commission and EEAS, because of their stable 5-year mandate and important mentoring (coaching) role, which is today too often neglected. In the same spirit of the proposed enhanced role for the Trade Policy Committee (TPC), a kind of forward studies unit focussed on Africa could contribute to make investment and trade policy and the Partnership policies more inclusive and to facilitate overall coherence. However, it should be given an agency-like status to ensure independence and it must comprise, alongside EU and

[6] L. Schmertzing, B. Freuding, J. Fricke, F. Keisinger (2013) 'Government Foresight für Deutschland', *Stiftung Neue Verantwortung*, 20/13.

national experts, independent experts including African ones, with a focus on investment and trade as the tool for realising the SDGs.

The role of this advisory body would be to provide regular strategic advice and scenarios for a paradigm shift and for partnership development. This will also facilitate African governments to ensure that the benefits of such advisory work find their way into their national strategies and decision making and thus to increase implementation. Endogenous structural reforms are needed today, and showing the potential gains can provide a strong impetus. Like European governments, they have no other alternative than to manage together the multiple and interactive effects of economic change driven by technology.

VII. Put innovation policies at the core of the Partnership

Investments will come and trade links will grow if the right framework conditions are put in place. Therefore, close cooperation with the private sector needs to be fostered, because the cognitive gap between the public and private sector is an obstacle per se. The current consultation processes with the (European and African) private sector are merely window dressing.

In Africa the average spending of GDP on research is only 0.5%, compared to 2.4% in OECD countries. The partnership should help Africa to *develop innovation ecosystems,* trans-border wherever possible, in order to integrate the research – invention – innovation market chain. This requires trans-border, state and local (urban and rural) frameworks where industries, entrepreneurs, citizens, governments, universities and centres of knowledge interact along the lines of complexity, co-operation, competence, competition and communication to achieve solutions, with a focus on people in the real world. The concept of the innovation ecosystem conceives innovation as the result of the "right" interaction among actors in order to turn an idea into a solution or bring a product or service onto the market. Ecosystems of innovation are driven by economic, social, ecological or political challenges. Their added value can be very high, their set-up and operation cost very low, therefore they should become a key element of the future Partnership. New information and communication technologies allow totally new solutions and offer enormous up scaling potentials for adequate business models.

Above all, the AU has to design an African Research Area, pooling resources on certain key topics, which can be linked to the European Research Area and benefit from EU funding. As an integral part of this, research co-operation with companies should be fostered to broaden the R&D funding approach and its integration or close co-operation with enterprise policy, thus deepening and speeding up its economic and social impact and help to bring the products and services which can be traded in the CFTA.

A focus on an integrated market and on integration in global value chains requires also the development of proper data and statistics.

VIII. Broaden access to finance for innovation, especially in agriculture and food

Capital should be attracted for research projects potentially leading to innovation through new mechanisms for capital provision. Depending on the risks involved, this requires public backing in some form. Creation of independent seed and incubator capital fund(s) with a European guarantee and African public and private money should be considered, but they need to be managed by private experts to ensure science and market orientation. Such funds should provide up to 80% in seed capital, in the form of a loan repayable at an attractive interest rate. This may be a secure, attractive way to mobilise funds from the diaspora in Europe and even re-channel other monies of African origin (perhaps with fiscal amnesty arrangement attached).

Food safety is critical if Africa wishes to be a food exporter. As proposed in a recent report by a Commission Task Force, platforms gathering EU and African experts, businesses and governments should be set up to help African countries scale up their farm sectors and improve the capabilities of African food producers to meet high food security standards. In addition, Brussels should ease access to loans for food and agriculture businesses in Africa.[7]

Tax systems can be a powerful policy instrument for supporting innovation and can be used to reduce investment costs. Macro-economic policy, taxation and monetary policies together should ensure that there is sufficient capital allocation for productive investments in agriculture, manufacturing and services and for their digitalisation, which will lead to employment and welfare creation. Escape routes and tax loopholes should be closed but on the other hand there must be clear opportunities for a return on investment. Policies should favour long-term investments, which are useful for the economy and society, and are aimed at the trans-African market. European investment guarantees, incubator and scale-up capital mechanisms should be linked to systemic tax reforms.

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[7] Recommendations of the report of the European Commission's Rural Africa Task Force "An Africa-Europe Agenda for Rural Transformation", 7 March 2019