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Europe-Africa:
A Special Partnership

REPORT JULY 2019

There is no desire more natural
than the desire for knowledge

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SOMMAIRE

PREAMBLE

In September 2017, Institut Montaigne published a report entitled *Are we ready for today's Africa?*, which invited France to adopt a realistic vision of Africa, in order to multiply the opportunities on this continent for French companies. The report notably proposed to move from a "state-continent" to a "continent-continent" relationship for two main reasons: politically, Africa promotes its "pan-Africanness", and economically, the markets must be approached in a regional if not continental manner. This report supports the "continent to continent" approach, formulating recommendations to construct a new partnership between two continents, Africa and Europe, or more specifically, Africa and the European Union (EU), based on a vision, priorities and tools.

Why are these relationships important today? There are a number of reasons, one of which is related to the agenda of institutional relationships between one part of the African continent and the European Union. The Cotonou Agreement, which governs political, economic and financial relations between the European Union and 48 countries in Sub-Saharan Africa, expires on 29 February 2020. Institut Montaigne would like to add its voice to the discussions related to this negotiation.

In a wider context than this framework agreement, the partnership between the EU and Africa must be redesigned. One might expect that hundreds of researchers, political leaders, economists, students, and simple citizens would be interested in this unique relationship between two continents and would be making audacious suggestions. Unfortunately, all too few are those in Europe and Africa who are examining or questioning this relationship and wanting to rebuild it.

Institut Montaigne believes it is necessary to bring the economic, historical, political, and cultural changes that irrigate the relationship between the European Union and Africa to the attention of the economic players, decision-makers, parties involved in the debate and the general public, thus contributing to the discussion of a relationship that is fundamental to both our continents. A new dimension must be adopted to build a rich, exemplary partnership, purged of the debris of the past that prevented solid, lasting construction.

We have therefore deliberately chosen to remain outside the formal framework of negotiations for our examination of the relationship between the European Union and the African continent. In short, we ignore the ACP framework (the basics of which are explained at the beginning of the report) to focus solely on the continent to continent relationships, in order to make sound suggestions for the reconstruction of this partnership. For this project, we interviewed more than fifty people from the public and private sectors and civil society in both Africa and Europe.

INTRODUCTION

THE EU AND AFRICA: THE NEGOTIATION ROUTE

"There are two routes to every event on earth: the outbound route, made of facts, and the inbound route, along which facts become words, songs, parables, tales, riddles, proverbs, prophecies and myths. Without this inbound route, the facts wander around a world suspended between what has happened and what is possible. Not quite happened and not quite possible."

Kossi EFOUI, Togolese writer

The Cotonou Agreement, signed on 23 June 2000 between the African, Caribbean and Pacific Group of States (ACP) and the Member States of the European Union, governs the relations between 79 countries on three continents – Africa (48 Sub-Saharan countries), America (16 Caribbean countries) and Asia (15 Pacific countries) – and 28 Member States of the European Union, i.e. almost two billion people – 1.2 billion in Africa, just over 500 million in the European Union and just under 300 million for the other two regions. Relations between the EU and the North African countries (Maghreb, Libya, Egypt) are governed by local agreements.

In parallel to the Cotonou Agreement, the European Union and the African Union adopted a joint framework for political dialogue. The objective is to give a political impetus to the agreement and to establish or adjust the joint roadmap. The very first EU-Africa Summit meeting was held in Cairo on 3-4 April 2000. In 2007 in Lisbon, the first joint African-EU strategy was adopted, formalising the principle of a summit meeting every three years, organised alternately in Europe and Africa.

These summit meetings are a place for open and sincere discussion – at least in principle – to enable the settlement of issues pending between the two continents and to define an agenda of priorities. However, it appears that the summit meetings are actually more like high masses, viewed by the African populations as being totally out of synch with their hopes. The European populations, on the other hand, appear to be totally unconcerned by these meetings. The last summit was in Abidjan in November 2017, with the official theme of *"Investing in Youth"*. Dramatic events have certainly made youth a topic of discussion. In fact, most discussions have focussed on the scandal of Sub-Saharan slaves in Libya, after their dreadful situation was revealed in the international press.

There are also other agreements, conditions and specific schemes between the EU and the African continent, including the *"Everything but arms"* initiative (elimination of customs duties on all goods except for weapons) and the two generalised systems of preferences, known as standard GSP and GSP+. These schemes offer African countries preferential conditions for accessing the European market and paying less or even no duty on certain products exported to the EU.

A difficult start to negotiations

With the imminent expiry of the Cotonou Agreement, the option of keeping the ACP framework in the new agreement has given rise to multiple discussions, disagreements and negotiations among both European and African countries.

One idea in particular involves breaking up this agreement to formulate three agreements, one specific to each geographic zone: Africa, the Caribbean, and the Pacific. After a battle of wills between the Nordic countries, headed by Sweden, with Germany and the Netherlands on the one side – who believe the framework to be archaic and outdated – and France, Belgium, Italy and Portugal on the other, who support the principle of a single agreement for all three geographic areas, the latter group ultimately triumphed and a consensus was reached. The EU opted to maintain the ACP framework. For France, whose positions across the oceans mean it benefits from such a framework, the EU also benefits at a time when multilateralism in international bodies such as the UN or the WTO is under threat.

The Africans were no more united than the European on this issue. Although the AU seized the opportunity to strengthen its legitimacy and spoke out strongly in favour of a specific agreement for the African continent encompassing all its States, some of its Member States, fearing the division of subsidies in the context of an overall continent-to-continent agreement, advocated for the signature of a new framework agreement with identical schemes, a sort of “Cotonou Agreement 2”. Furthermore, there was a restrictive legal problem: only the States are legal members of the ACP. The African Union is merely an observer, and the African Union Commission is not part of it at all.

Where does the negotiation stand at present?

In **March 2018,** the Executive Board of the African Union issued a negotiating mandate to the General Secretariat of the ACP countries, while postponing the start of negotiations, initially due to begin in June. At the end of May 2018 in Lomé, during the 107th session of the ACP Council of Ministers, Togo and its representative, Robert Dussey, Togo's Minister of Foreign Affairs, Cooperation and African Integration, was named head negotiator of the ACP group, with Neven Mimica, European Commissioner for International Cooperation and Development, as his counterpart. In the EU, it is the European Commission's Directorate-General for International Cooperation and Development (DG-DEVCO), coordinated by its Managing Director, Italian Stefano Manservisi, who has overall control over the negotiations.

On **22 and 24 May 2018,** Hungary and Poland, two of the countries in the Višegrad group, refused to validate the negotiating mandate due to differences of opinion on the issue of migration. They notably wanted to tighten up the chapter on the readmission of migrants to their country who originated from Africa (an article that was already in the Cotonou Agreement, but only rarely implemented).

On **22 June 2018,** after much debate between Europeans on the promise of setting up "readmission platforms" for migrants on the African continent, the negotiating mandate was adopted. The duly mandated European Commission was thus able to begin negotiations with the ACP group.

On **2 July 2018,** at the African Union Summit in Nouakchott, the African position was totally different: there was no question of accepting any such migrant centres. In response, on a proposal from Rabat, the Africans decided to create an African Observatory of Migrations and Development, based in Morocco. At this same summit, the African Union mandated Bissau-Guinean economist, Carlos Lopes, to assist the African negotiators in their discussions with the European Union.

On **28 September 2018,** negotiations finally began, several months after the date indicated in the initial schedule, in New York, coinciding with the General Assembly of the United Nations. A compromise was found between all parties on the formal framework of the negotiations, with the goal of signing a single agreement, with a common core for the three ACP regions, based on principles and values (human rights, state of law, governance, peace and security, regional integration, efforts against climate change, role of the private sector, etc.). Each region would then negotiate the terms of its relationship with the EU in terms of economic, financial, migration and security issues.

Various meetings have been held at different levels between ministries and within more technical commissions since the negotiations began. A first phase of negotiations started in Brussels on **14 December 2018.** During the second round of negotiations, the ACP countries compared the negotiating mandates of the two parties and observed some points of convergence, but also major differences.

Rather than risking blocking the negotiations, it was decided to begin the discussions concerning the points of convergence and to leave the more sensitive subjects to one side for the time being. This was notably the case of the famous articles 8 and 96[1] on political dialogue and conditions, which apparently the Africans no longer want, or at least not in the same form. On **3 April 2019,** in N'Djaména, Chad, and then on **3 May** in Mbabane, Eswatini – the new name for Swaziland – Europeans and Africans began their negotiations in earnest. Negotiations concerning the Pacific and Caribbean regions were also held in parallel at meetings in Samoa and Kingston.

The European Commission puts forward its proposals

Everything thus remains to be created. The sensitive topics are still under discussion: the role of the International Criminal Court (ICC), migration quotas, political dialogue and the terms of financing for Africa. The European Union has put at least three proposals on the negotiation table:

- The creation of a guarantee fund to smooth actual or supposed risk and encourage private European investors to invest on the continent. This guarantee fund, set up by the European Union, would enable the union to cover the security risk related to private investments.

- Today's multiple financial instruments would be consolidated into a single framework, called the Neighbourhood, Development and International Cooperation Instrument (NDICI). An overall budget has been proposed of €32 billion for Sub-Saharan Africa and €22

[1] In addition to the regular political dialogue described in article 8 between the EU and the African countries, article 96 defines a procedure that can be activated if one of the parties fails to respect the fundamental elements of the partnership, notably the respect of human rights, democratic principles and the rule of law. http://www.europarl.europa.eu/intcoop/acp/03_01/pdf/mn3012634_fr.pdf.

billion for the neighbourhood policy (which includes North Africa and some Eastern European countries). The European Development Fund (EDF) would be included in the NDICI. However, one question remains: would the EDF be budgetised? If so, its budget would be voted by the European Parliament and therefore controlled by Members of Parliament, whereas it is currently financed by Member States according to specific rules and managed by an EDF Committee, comprised of Member States and a representative of the European Commission. France is particularly active on this Committee.

- What is the role of the European Investment Bank (EIB)? Some sources suggest that it could become the "EU's big development bank", but this view is not shared by all Member States. There is also some doubt over the future role of the European Bank for Reconstruction and Development (EBRD), with its 67 shareholders including nations from around the world, the European Union and the EIB. The latter, whose head office is in London, is currently headed by a British citizen whose mandate expires in 2020. In March, its Board of Directors voted on a clause to enable the bank to invest more in Africa. Brexit may have affected this decision.

Africa is getting organised and refining its strategy

The African continent is undergoing an institutional transformation. The African Continental Free Trade Area (AfCFTA), coordinated by the African Union, has been ratified by 22 Member States, achieving the *quorum* required to make it legally effective. It will be officially launched at the African Union Summit in Niamey next July. Nigeria, a heavy weight in Africa, is expected to join the movement at some point, but has not yet ratified the agreement. The final objective is for Africa to create the conditions for greater integration and to present the image of a strong, more united continent to face the challenges and opportunities that arise. With regard to the negotiations with the European Union, the Africans have agreed that the AU, *via* its Commission, will take charge of topics concerning the continent as a whole, i.e. peace and security, migration and mobility, as well as trade *via* the AfCFTA.

Will Egypt, which is chairing the Africa Union this year, be accelerating the AU reforms to fund this project, enabling better subsidiarity between the various bodies and a higher level of regional and continental integration? How do North African countries see their integration within the financial instruments proposed by the European Union? What proposals is Africa actually bringing to the EU negotiations table? For the moment, these questions remain unanswered.

Many doubts still persist and the next few months will therefore be decisive. Will the parties involved in the negotiations (including the Pacific and the Caribbean) manage to keep the February 2020 deadline? It is difficult to say with any certainty at this time. However, it should be noted that legally, there is nothing to prevent the current Cotonou Agreement from being extended beyond February 2020.

The private sector, a key player in the new partnership between Africa and the European Union

What is at stake with these negotiations? For Africa, it is the construction of real global value chains – probably *via* new forms of industrialisation –, stronger ties between its economies – however disparate –, globalisation, and making the best of the situation to face the arrival of tens of millions of young Africans on the employment market.

Africa must appropriate the principles of the United Nations' Sustainable Development Goals (SDGs), interpreted according to the realities of its territory. This is one of the things that it has in common with the European Union, which has underlined its attachment to these SDGs.

Both parties agree that the private sector must be more involved in the development of the African continent. In the current Cotonou Agreement, it is clearly indicated that the private sector plays a major part. However, it is clear that the private sector is not at the heart of current negotiations. Both in Europe and Africa, there is much debate over the feeling that it is not at the centre of the challenges of governance, finance, and value chain creation within these negotiations. However, job creation is one of the keys to development in Africa, and necessarily demands more action for the private sector, where long term investments must be encouraged and guaranteed. It is essential to attract new European players, such as micro, small and medium-sized businesses, to Africa and to enable African companies to invest in Europe. The European Union must ensure that all components of the private sector, both in Europe and Africa, are brought together, ensuring the provision of clear, relevant information and the definition of specific financial instruments. The objectives include clarifying and simplifying the procedures that are currently not accessible to a large number of small, medium, and intermediate sized businesses, and accelerating the development of these financial tools, notably those concerning guarantees.

African and European negotiators will also be discussing more sensitive topics: the migration issue, the sense of which must be clarified without ambiguity by Europe and Africa; political dialogue, whose form the Africans wish to change; the subjects of governance that the Europeans would like to see evolve in the right direction; the challenges of security; and climate change.

I

A SHARED DESTINY IN A CONTEXT THAT HAS NOT CEASED TO EVOLVE FOR THE PAST 20 YEARS

Since the Cotonou Agreement was signed almost 20 years ago, Africa, the EU and the international context have changed significantly. The European Union has expanded to 28 Member States, some of which have no historic links with Africa. Africa has seen various major demographic, technological, and economic disruptions that have boosted its growth and brought about institutional changes, such as the transformation of the original Organisation of African Unity (OAU) into the African Union (AU).

1.1. Areas that have been entirely redefined since the signature of the Cotonou Agreement

When it was founded, the European Economic Community (ancestor of the EU) included six countries, four of which had colonised parts of Africa. At first, the EEC saw its relationship with Africa in the light of its colonial interests and in the form of assistance. For colonial powers, it was important to maintain strong economic and political links with colonised countries. Countries such as France, Belgium, Italy and the Netherlands thus spearheaded a European policy to support development in Africa. Robert Schuman, in his famous 1950 declaration, thus held Africa's development to be one of the essential tasks of the EU. In the Treaty of Rome, an association scheme was set up to maintain the link between European countries and the colonial territories they governed in Africa.

When most African countries became independent in the early 1960s, the terms of exchange between these European countries – and therefore Europe – and Africa had to be renegotiated. Economic, cultural and scientific cooperation had to be defined. The Yaoundé Conventions were born, the first of which was signed on 2 July 1963 in the capital of Cameroon, providing financial aid to 18 former European colonies in Africa. The second Yaoundé Convention, signed in 1969, concerned the funding of projects, particularly in Sub-Saharan Africa.

The economic difficulties of the 1970s related to the oil crisis altered relations between Europe and Africa significantly, resulting in the signature of a new treaty, the Lomé Convention, which was revised several times until 1995. Aid had to be combined with trade and political issues.

1.1.1. The construction of Europe has considerably modified Europe's approach to Africa

The fall of the Berlin Wall in 1989 meant that European relations with the rest of the world had to be revised. After this event, it seems that Africa ceased to be a priority for Europe as a whole. The broadening of the Union, which involved the reallocation of subsidies to enable Eastern European countries to catch up economically, was the start of a policy movement towards the East. The Cotonou Agreement embraced this strategy change, but also had to propose a more balanced relationship process to Africa, or at least that was how it was viewed in Europe. It also had to open the door to the private sector and to civil society in all its forms, including via diasporas, to anchor the African continent in globalisation, development, and growth.

These relations met serious difficulties with the Economic Partnership Agreements (EPAs), which were initially intended to be a formality, since, according to Europe's interpretation, the EPAs would benefit the African continent. However, they faced some resistance in Africa. The economic weight of Europe led some African players, notably in the private sector, to believe that their sectors of business would be swept away by European competitors, which they considered to be too powerful. Furthermore, too few EU Member States were truly involved in these negotiations. France, yet again on an Africa-related topic, found itself alone in favour of the EPAs.

Over the last ten years, the European Union has suffered the full effects of the 2008 economic crisis and the European debt crisis. These various difficulties have taken up much of the energy of Europe's decision-makers. Other priorities, such as harmonising tax policies, employment law, the Schengen Area, rising populism, sanctions against Russia, Ukraine, Crimea, how to regulate the "Big Five", the protection of personal data and the respect of privacy through the implementation of the first legislation of its kind in the world, relations with China and the USA, protection against terrorism, and not to mention Brexit, have monopolised discussions within the European Union.

Brexit, the focus of current concerns in Europe, is also a subject of interest for some African countries. According to Andrew S. Nevin, a Nigerian economist for PwC Nigeria and author of a study of the consequences of Brexit in Africa,[2] Nigeria would benefit from a redistribution of funds allocated to the CDC, the British development agency. He believes that this is already the case: the CDC has

[2] PWC Nigeria, *Brexit uncertainty: what implications for Nigeria?,* 2016.

apparently doubled its capital commitments in Nigeria. However, for other countries, the consequences could be seriously negative. One example of this is South Africa, which is Britain's leading trade partner. According to South African economists Raymond Parsons and Wilma Viviers from North West University in South Africa, Brexit could cost 0.1 % of South Africa's GDP. In Kenya, the cut flowers industry and the tea sector are trembling. Britain is the second export market for the former, with 18 % of exports, and the first for the latter, with zero customs duties under the EPA agreement with East Africa and specifically, the interim agreement signed by Kenya and the EU. Once Brexit is confirmed, this preferential customs agreement could disappear, although the British authorities have already stated their desire to maintain current agreements. However, the European Union has sent a clear message to Africa: Brexit should not affect the funding amounts from the EU to the African continent.

From the African viewpoint, the continent may appear as a secondary concern for the EU, except probably when it comes to migration flows, particularly after 2015. Some people in both Africa and Europe point out that migration in all its forms, including the most dramatic, has at least enabled Eastern Europe countries to take some interest in Africa.

1.1.2. Major demographic and economic disruptions in Africa

Over the past 20 years, Africa has undergone continuous transformation. In terms of demography, the continent has initiated a rising curve, with countries being mostly populated by young people. By 2050, according to United Nations and INED demographic statistics, the African continent's population will have doubled, reaching 2.5 billion inhabitants, while the global population will rise from 7.5 to 10 billion during the same period. However, fertility rates are falling throughout the world, except in a few Arab countries, in Asia – from Afghanistan to Northern India and Pakistan – and in most African countries, with Niger continuing to hold the world record (7.3 children per woman). Approximately 70 % of the African population will be young people under 35, according to United Nations estimates.

It will therefore be several decades before the African continent begins its demographic transition. The list of the seven most populated countries in the world today (China, India, Indonesia, USA, Brazil, Pakistan, Nigeria) includes the most populated country in Africa, which is expected to have almost 400 million inhabitants by 2050. According to United Nations predictions, on top of Nigeria, Ethiopia, Democratic Republic of Congo, Egypt, and Tanzania are also expected to join this list in the relatively near future. Africa also has a number of huge metropolises, such as Cairo and Lagos, each counting almost 20 million inhabitants. However, this exponential growth will mainly be located in secondary cities, with tens of millions of inhabitants in agglomerations that sometimes lack even the most basic infrastructure.

During this 20-year period, Africa's remarkable growth has attracted the interest of many investors, starting with China, but also India, Turkey, Brazil – more discreet today –, the Gulf countries, and Russia, which has shown renewed interest in Africa in recent years and is making preparations for a Russia-Africa Summit in Sochi in October 2019.

Africa experienced sustained growth between 2005 and 2015, with an average GDP increase of around 5 % (IMF[3] and World Bank[4]) i.e. a growth higher than that observed globally for the same period. This growth has benefited all African countries, although unequally and with a few exceptions, such as those countries at war. Among the key explanations are external factors, such as the price dynamics of raw materials and the availability and flow of international capital, as well as internal factors such as high domestic demand and a move towards a service economy, supported by the telecommunications sector. With relatively little financial interconnection, Africa initially felt few of the effects of the 2008 economic crisis, and then only the indirect ones resulting from the contraction in world trade.

In 2015-2016, African economies, notably in Sub-Saharan countries, saw their growth rate slow down, with GDP increasing by 3.7 % in 2015 and by 3 % in 2016, the lowest rates recorded since 2009.[5] Countries exporting raw materials were hit the hardest, as this drop followed the end of the "supercycle" of raw material prices and the slump in the Chinese economy that was supporting international demand in Africa.

Since 2017, however, the economic recovery appears to be confirmed. According to the IMF's 2019 regional economic forecasts, Sub-Saharan Africa's growth rate is expected to rise from 3 % in 2018 to 3.5 % in 2019. However, there are two different trajectories: one for the countries with few natural resources, whose growth is

[3] IMF, Economic and financial studies, Regional economic outlook, "Sub-Saharan Africa | Time for a policy reset", April 2016.

[4] Office of the chief economist for the Africa region, Africa Pulse, October 2015, Volume 12.

[5] World Bank, *Africa's Pulse,* October 2015.

expected to be around 5 %, and one for the countries with abundant natural resources – major raw material exporting countries, including Nigeria and South Africa – whose growth rate is expected to be lower.

Over the coming years, Africa is expected to remain one of the areas with the highest growth rates in the world. However, it is important not to ignore the persisting difficulties belied by these figures. In spite of continuous GDP growth and because of equally impressive demographic growth, GDP per capita has remained low in African economies. The increase in GDP per capita has been much slower than that of total GDP. For example, it was only 0.6 % in 2018, compared with global GDP growth forecasts of 3 %. In 2017, GDP per capita in average PPP for Sub-Saharan Africa was $3,488 (2011 dollars), i.e. 3 times less than that of Latin America ($14,563) and 10 times less than that of the European Union ($37,331). Furthermore, the growth fluctuations of the past few years have weakened the macroeconomic fundamentals of some countries (increase in public debt, risk of over-indebtedness).

In fact, in spite of its ups and downs, Africa is still a growing continent but whose growth is not sufficient to enable all of its population to enjoy the benefits thereof in their everyday lives. This heterogeneity encourages investors to examine situations more carefully. However, for the strong-hearted with a perfect understanding of the risks involved, it may represent development opportunities.

1.1.3. The leap into the digital economy

With more than one billion SIM cards, 800 million mobile phones and 281 million web users,[6] Africa is accelerating its digital transition and is now considered a dynamic, key player in the digital sectors: this offers a promising territory for African business managers, populations, and companies as well as for foreign investors and companies. Many projects in the fields of information and communication technologies are popping up here and there. These initiatives are often oriented towards uses related to Internet access (mainly via smartphone), and require local infrastructures to be able to provide the population with access to the web. However, substantial inequalities persist. In 2017, 10 African countries accounted for 80% of the continent's web users.[7] The penetration rate of social networks is an eloquent illustration of these regional differences: 38% in Southern Africa and just 7% in Central Africa, according to the latest annual digital report (January 2019) by We are Social & Hootsuite. While the world average rate of very high speed Internet access is 12%, this rate falls to 0.5% in Sub-Saharan Africa.[8]

To offer the best possible assistance for this digital transformation and to ensure that African countries can make the most of this digital development, the top international financial institutions, and notably the European Union, have a key role to play in Africa's digital transformation, by providing the expertise and financial support required for digital projects. This effort must first be based on the development of infrastructure to facilitate Internet access and to

[6] *Jeune Afrique,* "Accès à internet : le continent africain entre progrès et inégalités" (Internet access: *progress and inequality on the African continent*), 2017.

[7] *Ibid.*

[8] World Bank.

ensure sufficient connection in the most isolated parts of the continent. Europe's expertise in this field, on topics such as data protection and cyber-attacks, could be shared with the African continent in the form of skill transfers *via* joint projects. The objective is to reduce the social and digital divide resulting from isolation.

Digital infrastructure is not the only challenge, and the European Union and Africa must learn to work together to make the most of the digital promises and new uses as a source of development, notably in key sectors such as agriculture, education, health, citizen identification, and security.

1.2. Proof of a "Euro-African" community

Aside from historic bonds, the EU and Africa are linked by current and future challenges and driven by common interests. It is essential that the scope of these challenges and interests are appreciated by both parties in order to create the awareness of a shared destiny between the two continents.

These shared challenges go way beyond the mere economic and security issues to which current rhetoric tends to reduce their relationship. The EU and Africa are closely linked on four key issues: diplomacy, multilateralism and international influence; economy, development and finance; security and defence; climate change and human mobility.

1.2.1. Diplomacy, multilateralism and international influence

On the international stage, the EU and Africa could form a strategic alliance to protect their interests within international institutions. Indeed, while the two continents each have certain elements of power, both find it difficult to assert them in a context in which multilateralism is being called into question. Europe and Africa more or less share a value system based on their attachment to international institutions, respect of the joint rules they enact and the principles of interstate relationships being based on law rather than on power. Europe and Africa must therefore work on reasserting the importance of the institutions that defend this balance through law, notably by working together to adapt and reform them.

The European Union represents 21.4% of world GDP[9] and 40% of the world's trade in goods. It has a strong voice within the World Trade Organisation (WTO), of which it is a member in its own right. Half of the members of the G7 and a quarter of the members of the G20 are European. Within the United Nations Organisation, the EU also has considerable influence, thanks to its numerical weight, its political clout, notably through the close coordination of its Member States, and its large contribution to the budget.

In recent years, the EU has thus managed to get Europe's voice heard in the international forums – United Nations conferences, international agreement negotiations, Paris Agreement – on the subjects that define the Union today: defence of human rights, freedom, democratic principles, prevalence of law over the balance of power, promotion of sustainable development, etc. It has also managed to stand out from the rest of the world and express a unique

[9] IMF data (2017); Eurostat, *The EU in the World,* 2018.

voice, as with the GDPR – General Data Protection Regulation (protection of privacy) – or the latest agreement on copyright rules.

However, over the past few years, the EU's capacity to exert its international influence has been threatened by the questioning of its institutions, in a context in which multilateralism is challenged by major powers such as China, the USA, and Russia. While the American President repeatedly criticises multilateral institutions, China is redefining an authoritarian brand of multilateralism, whose cursor is also pointing east. The creation of the Asian Infrastructure Investment Bank supports China's new leadership for example in the world of development, against institutions such as the International Monetary Fund (IMF) and the World Bank, which are dominated by Westerners.

Africa, in spite of its positive dynamics, has thus been unable to impose its full weight – political, economic and digital – on the international stage. In spite of its 54 nations and 1.2 billion people; i.e. one sixth of the world's population, the continent's international influence is limited, firstly due to internal divisions within the continent and also because it is part of an international system in which diplomatic power remains tightly linked to economic power.

Within the Security Council, the body of powers that was created after World War II, Africa's role is marginal: no African states are permanent members of the Security Council. The African group shares five non-permanent member seats with the Asia-Pacific nations, traditionally three being allocated to African nations and two to the Asia-Pacific group. In 2015, to strengthen its presence on the Security Council in the sense of a *“fairer, more balanced and more representative”* participation, the African Union presented the

Ezulwini Consensus which proposed to give the African Group two permanent member seats and five non-permanent member seats. However, the context of questioning UN institutions, the institutional burden of reforming the Security Council – already under discussion for two decades to broaden it more globally, not just to Africa, – internal divisions within the African Group on the choice of members and finally the lack of allies on this issue, make such a reform rather unlikely.

European countries – and particularly France and the UK as permanent members of the United Nations Security Council – must intensify their support for African initiatives to obtain additional voices within multilateral institutions. One achievement, for example, is the creation of a third African chair on the Board of Directors of the World Bank. The Secretary General of the United Nations, António Guterres, declared in the pan-African press in December that Africa must be guaranteed a fairer presence on the Security Council, although he immediately acknowledged that he had no power over this reform, which was primarily dependent upon the Member States.[10]

Within international financial institutions, where votes are allocated on the basis of economic and financial criteria, Africa's influence is also limited. IMF voting rights are calculated according to a quota system reflecting the relative position of each country in the global economy: Africa has a quota of 4.09% of the total, compared with 14.7% for the USA, and 12.8% for China, which is reflected proportionally in its voting rights. A similar system is used for the World Bank. For example, on the Board of Executive Directors of the

[10] *Jeune Afrique,* Antonio Guterres: "Africa must be guaranteed a fairer presence at the Security Council", Vincent Duhem, 21 December 2017.

International Bank for Reconstruction and Development (IBRD), 48 African countries elect three representatives,[11] which have 2.07%, 1.95% and 1.64% respectively of the total voting rights, i.e. three times less than the share of voting rights of the USA representative (15.87%) and barely more than the voting rights of Germany's representative (4.01%).[12]

Since it does not yet have enough diplomatic and economic power to impose its position in a direct relationship with other powers, Africa must root its diplomacy in the international multilateral order. The questioning of this order therefore represents a key challenge, as it does for Europe, and offers points of convergence between Africans and Europeans that should help these discussions to progress.

1.2.2. Security and defence

The EU has a long history of commitments in Africa in terms of security and defence. This is firstly due to the former colonial relationships between African countries, affected by instability, and European countries, as illustrated by the examples of France and the Central African Republic from 1979 or Belgium in Congo in the 1960s. As well as these bilateral links, the European Union's commitment to Africa has developed gradually based on the awareness of shared security interests, in a context of international

[11] On the IBRD's Board of Executive Directors, the countries elect their representatives in groups: the 48 African countries are divided into three groups, each of which elects one representative. Ghana, Algeria, Tunisia and Morocco are part of another group that elects a separate representative, like Egypt and Libya, which elect their representative from the group of Middle Eastern countries.

[12] *Voting power of executive directors,* April 2019.

and regional risks threatening the stability of the two continents.[13] These security threats, specific to several regions of Africa, are currently related to terrorism and violent extremism, notably in the areas of Sahel and the Horn of Africa, maritime insecurity off the East African coast (Red Sea, Indian Ocean) and around the Gulf of Guinea, as well as more traditional threats related to conflicts between communities.

To counter these threats, the European Union's action is founded on three instruments: military intervention (largely based on France's engagement), financial support, and the strengthening of African capacities, notably through training. In terms of military action, more than half of the European Union's external operations took place in Africa. This is still true for half of current military operations, with missions in Somalia, Mali, and the Central African Republic. Financially, the European Union is one of the main contributors to defence on the African continent, having disbursed more than €2.7 billion[14] to date for peace and security actions on the continent. It mainly acts *via* the African Peace Facility (APF), which was founded in 2004 in response to a request by the African Union. With regard to training, the European Union is working to build up the African Union's institutional and military capacities by supporting the AU's African Peace and Security Architecture, as well as training missions for national units (Mali, Somalia).

[13] The ARTEMIS operation in summer 2003 in Ituri (Democratic Republic of Congo) by the European Union under the European Security and Defence Policy (ESDP), under authority of the UN Security Council, is considered to be the first military operation managed by the European Union, the EU's first autonomous operation, the first rapid response mission of the EU, the first operation outside Europe, the first operation applying the principle of the framework nation and the first example of "relay" operation, conducted in cooperation between the EU and the United Nations.

[14] European Commission: https://ec.europa.eu/europeaid/regions/africa/continental-cooperation/african-peace-facility_en.

For the future, both the European Union and the African Union have reiterated the pertinence of a security and defence partnership between the two continents in their respective defence strategies *(EU Global Strategy* and *African Peace Security Architecture)*.

The security and defence partnership between the EU and the AU must provide a response to two main challenges: strengthening Africa's financial autonomy in military matters and guaranteeing Africa's institutional and military capacity to respond to crises, two fundamental elements of the African response to crises on the continent, promoted by the European Union and the African Union. The African Union's resources are still limited: the African Peace and Security Architecture (APSA) depends almost entirely on external funding (European Union, United Nations, USA, Russia, China), while the African Standby Force, the military component of the APSA, is experiencing operational difficulties in responding to threats on the continent.

Although peace on the African continent is primarily the responsibility of the Africans, European support is essential to ensure that the African countries are in a position to guarantee it. The European Union must continue its efforts to support and strengthen Africa's capacities, notably with regard to the APSA. In terms of finance, the goal must be to ensure lasting European financial support, which is essential to the security of certain regions (such as Sahel), while working on improving the mobilisation of African resources and supporting the resources deployed by the African Peace Facility. From the African point of view, the development of more long-term financial structures is essential to guarantee the action capacity beyond the voluntary coalitions whose resources fluctuate according to national priorities. From the European standpoint, this effort must be part of a broader mission to improve the balance of the participation of Member States and of the European Union to the financial effort. Military expenses can weigh heavily upon national budgets in a context where the financial effort is often borne by countries with historic ties to the African countries in crisis. For example, France funded the Serval and Barkhane operations in Mali, representing up to 1% of France's defence budget.

Thanks to the strength of its army, the USA provides substantial logistics support in the zone, backed by special forces in certain areas. China is also deeply committed to stability – for different reasons – and, aside from the highly mediatised military base in Djibouti, is stepping up its involvement[15] in diplomatic or peace-keeping missions, but only within the framework of partnerships with the AU or the United Nations. However, Europe remains the most stable, long-term partner, by making significant financial contributions and by being able to alert and trigger a lever effect on a global scale.

Finally, we must remember that the security issue demands a global response, notably for economic matters. It will also involve the economic development of the regions affected by violence. Education and training for young people, the development of a critical mindset and openness to the world, and the creation of decent jobs must take priority to prevent this young population from being enrolled in radical, violent groups. Europe and Africa must work together to ensure a path for this population, encouraging the construction of a rhetoric that will enable those concerned to break away from the cycle of violence.

[15] Mondafrique, *La Chine s'implique dans la sécurité en Afrique* (China gets involved in security in Africa), 26 October 2018.

1.2.3. Economy, development and finance

Individually, the European and African countries have a limited, even marginal influence on the international stage. While the European Union represents 21.4 % of global GDP, compared with the individual leaders in terms of GDP,[16] i.e. the USA (24%) and China (15.2%), the top European country alone only accounts for 4.6% of global GDP (Germany). Africa accounts for 5.2% of world GDP (almost the same as Germany!), 3.1% of which is for North Africa. Egypt – head of the African Union in 2019 – represents 0.3% of global GDP and the first of the Sub-Saharan African countries, Nigeria, represents 0.5%. Unification of European and African economies would be useful to ensure greater influence on the world stage.

There is also an original mechanism of exchange rate stability – often criticised – between the Euro and the West and Central African CFA francs (UEMOA – West African Economic and Monetary Union – CEMAC – Economic and Monetary Union of Central Africa). This monetary mechanism based on convergence concerns 15 countries in Sub-Saharan Africa. It reassures the private sector, notably in Europe, and facilitates investment. However, Africans have a negative view of it. The African continent, which has a multitude of currencies, must create the conditions for a peaceful discussion and rule upon its monetary future.[17]

The economic relationship between the EU and Africa must become a positive-sum game. The African continent represents a growth relay for a certain number of European companies, although Africa is far from being the only such continent. According to the European

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16 IMF data (2017).

17 Institut Montaigne, *Are we ready for today's Africa?,* September 2017.

Commission in 2017, the European Union is Africa's primary trade partner, ahead of China and the USA, representing 36% of its foreign trade. It also represents 40% of foreign direct investments (FDI) in Africa. These exchanges are supported by the geographic proximity of markets, by the growth observed in Africa over the past decade, by the dynamism of markets, partly due to the emergence of a middle class that consumes and invests, and by its demography, which makes Africa a young market. Digital technologies, which facilitate trade and financial transactions, also play a decisive role and represent a vector of reinforcement of the economic ties between the two continents.[18]

For the African countries, negotiating a free-trade agreement offers little in the way of incentive unless it comes with strong technical assistance and special, favoured treatment, as was the case of the Trade Facilitation Agreement, which came into effect in February 2017. Such agreements must propose sectorial flexibility, aside from the simple differentiation on the level of the countries' wealth. Together, Africa and the European Union can promote *"intelligent protectionism".*

The regional negotiations between the European Union and Africa (with revised EPAs and taking into account possible twinning operations between European and African territories spanning different borders) should be designed like a laboratory, based on new principles that the two continents want to adopt on a global scale: sustainability of economic sectors, revised compensation schemes, promotion of an environmental and social *"best-bid"* culture. To promote such practices, Europeans must first ensure that

[18] *Ibid.*

they are beyond reproach in these areas. These regional agreements represent a multitude of possibilities for exercising the power of signing international commitment contracts by the African authorities, whose commercial negotiation skills must be strengthened.

By adapting their positions to these long-term challenges, Europe and Africa will stand out from the short-term trade dispute that is currently raging between the USA and China, in the broader context of the stalemate reached in the Doha Development Round negotiations.

1.2.4. Human mobility

Migration between the EU and Africa is due as much to economic and security issues as to historical and cultural reasons. Migration has long been an economic, social and political challenge for countries of departure as well as for destination countries. In recent years, the migration question has tended to monopolise the discussions and imagination of populations. The issue has given rise to a multitude of approximations, and even disinformation for electoral purposes. However, it is important to remember that the word "migrant" has several definitions and is often source of controversy. In the USA, for example, more than 200 categories of migrants have been defined!

More than 70 % of African migration occurs within the African continent, i.e. there is more intra-regional migration than extra-regional migration.[19] Populations are mostly mobile within their regional basin. Migration outside the African continent represents a minority of African migratory movements.

[19] UN DESA 2017; International Organization for Migration, *World Migration Report* 2018.

According to figures published by the UN's High Commission for Refugees, the Democratic Republic of Congo, Sudan, Ethiopia, Somalia, South Sudan, Uganda, and Nigeria each received more migrants than Germany. France receives fewer migrants than each of the following countries: the Ivory Coast, Chad, Cameroon, Kenya and Tanzania.

Migration: between fantasy and reality

The question of mobility, notably between Europe and Africa, is therefore as complex as it is ambivalent and must be examined over time, with insight into the reality of its statistics and consequences.

In the 20th century, migration within the European Union initially concerned the Europeans themselves (Belgium, Poland, Spain, Portugal, Romania) due to rapid arithmetic progression. This intra-European migration continues today. According to Eurostat figures, in less than thirty years, a fifth of the Romanian population, 12% of Bulgarians and 7% of Poles have left their countries of origin to go and work in another European country. This intra-European "exodus" from Central and Eastern European countries after the fall of the Berlin wall, has accelerated and spread to the southern countries (Greece, Portugal, Italy, Spain) since the financial crisis of 2008 and the sovereign debt crisis of 2011.

For example, since 2008, more than 2 million Italians have left their homeland for another EU country. Over the past ten years, 5% of the Portuguese population left the country, mainly to seek work in Germany and the UK. According to the German statistics office (Destatis), over this same period, Germany received no fewer than 2.7 million European nationals, i.e. far more than the migrants arriving in 2015 and 2016.

According to Eurostat, unlike the European migrations of the 1960s, this migration mainly concerned qualified young people. This, of course, poses a real problem in the country of origin, which is deprived of the qualified labour whose education and training it financed, while it benefits the country of destination.

However, contrasting situations exist within the European Union: for example, Eastern Europe is suffering from a labour shortage that may hinder the growth of its countries.

African migration, notably from Sub-Saharan Africa, to Europe is a recent phenomenon. It developed after the second petrol crisis in 1975. Migration from the Maghreb countries began earlier, in the 1920s.

The migrant crisis of 2015-16 is a key moment in our European imagination. After the war in Syria broke out, hundreds of thousands of people fleeing the war arrived in Europe. The European Union was unable to find a joint solution for this influx of refugees and the effort was unequally distributed, causing an internal crisis within the EU. Germany, suffering a demographic crisis, accepted a large proportion of the arrivals: in 2015, more than a million people were accepted into the country. In 2016, after the signature of the refugee agreement between the European Union and Turkey, the number was significantly reduced to 434,000 people. At the same time, France only accepted 17,000 and 23,000 migrants in 2015 and 2016. Proportionally speaking, Sweden was the country that accepted the most migrants, with a so-called “humanitarian” specialisation on the populations from the Horn of Africa (Somalia, Sudan, South Sudan, and Eritrea).

In 2016, most migrants came from the coast of Libya, taking huge risks to cross the Mediterranean, encouraged by highly organised smuggling rings in Libya. In 2015, the EU launched the military operation, Sophia, charged with fighting human trafficking in the Mediterranean. An agreement was signed by Brussels and the internationally recognised government in Tripoli to train and offer better payment to the Libyan coastguards. Subsidies were provided. The Libyans implemented actions in the field to stop trafficking operations.

As a result, the number of people illegally crossing the borders of the European Union is declining and reached its lowest level in five years in 2018. According to Frontex, the European Border and Coastguard Agency, 150,114 people entered the EU illegally in 2018, i.e. a 27% decrease compared with 2017 and a 92% decrease compared with 2013. However, Frontex claims that migratory pressure remains high at the doors of the European Union. Instead of Italy, it is now Spain that is having to cope with the migratory pressure, with a large influx from Morocco of both Moroccans and Sub-Saharan Africans.

Let's not forget this shocking figure: 18,000 Africans have died in the Mediterranean while trying to cross into Europe since 2014, according to the International Organization for Migration (IOM). The death toll is probably higher since this figure does not include those who lost their lives in the Sahara Desert on their way to Europe.

Mobility and climate change

On the subject of climate and the implementation of the 2015 Paris Agreement (COP 21), the challenges facing Europe and Africa are the same, making the tools to fight global warming a priority (assistance with adopting lower carbon energy, regulatory changes, etc.) Africa is one of the regions that will suffer the most from the consequences of climate change. The Intergovernmental Panel on Climate Change (IPCC) has stated that this might induce a fall in GDP in Sub-Saharan Africa of between 1.9 and 5.9 % by 2060.[20] The need for a two-fold movement to adapt and attenuate must be integrated in all negotiations and differentiated for the African continent because of its greater vulnerability. The EU and Africa, and notably a group of African countries more advanced that the others on these matters, such as South Africa, the Ivory Coast, Senegal, Kenya, Nigeria, Morocco, and Egypt, must support one another to bring these subjects to the world table and force all those investing on the continent to comply with a certain number of pre-requisites related to the Paris Agreement. China, in particular, one of the top investors in African infrastructure and signatory of the Paris Agreement, must take some part in the discussions and respect its signature.

Mobility in Africa is due to a number of factors. Aside from the freedom of choosing one's life – the fundamental right to free movement according to article 13 of the Universal Declaration of Human Rights, although of all of the world's nations now want to define this movement, notably *via* the Global Compact for Safe, Orderly and Regular Migration, approved in December

[20] OECD, The economic consequences of climate change, March 2016.

2018 – mobility can also be forced to escape a gruesome fate, aggravated in certain parts of the African continent by poor governing and corruption, absence of human rights protection, insecurity and climate change. This is the case in the Sahel, for example, or more generally in West Africa, some parts of East Africa, etc. In the state of Benue alone, in central Nigeria, 385 people have died over the last two years in conflicts between livestock farmers and arable farmers over the use of water resources.[21]

It is difficult today to be certain of the extent of human mobility directly related to climate change. According to the 2018 UNCTAD report on economic development in Africa, *Migrations for structural transformation,* south-north migrations represent 35% of world migrations. In 2016, 108 million people worldwide were in a situation of critical or very severe food insecurity according to this report: a figure that has risen by 35% since 2015 due to conflicts and/or terrorism dramatic food insecurity and causing migratory flows.

The nations must cope with dwindling resources and must be particularly imaginative to provide basic services to their populations, as well as to migrants[22] arriving from neighbouring countries and swelling city populations. If the UNCTAD figures are to be believed,[23] some of these

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[21] La Croix, *Les conflits entre éleveurs et agriculteurs embrasent le Nigeria* (Conflicts between livestock and arable farmers inflame Nigeria), 29 April 2018.

[22] Definition of migrant, according to the IOM (International Office of Migration): "Any person who is moving or has moved across an international border or within a State away from his/her habitual place of residence, regardless of the person's legal status, whether the movement is voluntary or involuntary, what the causes for the movement are or what the length of the stay is. There is therefore a legal difference between migrant and refugee" Definition of a refugee according to the IOM (International Office of Migration): "a person who owing to a well-founded fear of persecution for reasons of race, religion, nationality, membership of a particular social group or political opinions, is outside the country of his nationality and is unable or, owing to such fear, is unwilling to avail himself of the protection of that country. (Convention relating the Status of Refugees)".

[23] UNCTAD, *Migrations for structural transformation,* 2018.

mobile populations will continue to travel outside the African continent and notably towards Europe. Based on United Nations estimates, the Sub-Saharan population in France will be multiplied by 2.1 by 2050, which is far from the alarmist figures announced by certain publicised theories that claim that the development of an African middle class will inevitably lead to an exodus towards Europe. In the history of migration throughout the world, no serious studies have measured a direct correlation systematically between economic growth, demographic dynamic and emigration (Bilateral Migration Database used to provide statistics for the OECD, World Bank, IMF, etc.).[24]

Conversely, in Europe, no one has yet examined the link between economic growth and demographic dynamics, whether rising or falling.[25]

1.3. Reinventing the Europe / Africa partnership

14 kilometres, i.e. the width of the Strait of Gibraltar, separate Europe from Africa. Geographically speaking, we are neighbours. Our geographic proximity imposes an interdependency that cannot be ignored: this is what makes the Europe-Africa partnership unique, setting it apart from Europe or Africa's other partnerships. The two continents are permeable to each other's long-term changes, innovations, and probably shudders too.

Today, the European Union, through Jean-Claude Juncker's speech on the State of the Union in September 2018, is calling for a new

[24] OECD: https://stats.oecd.org/Index.aspx?datasetcode=MIG&Lang=fr.

[25] Robert Schuman Foundation, Jean-Michel Boussemart and Michel Godet, *Europe 2050: demographic suicide.*

alliance with Africa. While this narrative is attractive, it is essential that both parties contribute in terms of content. The post-Cotonou agreement negotiations could form the basis for such a dialogue.

While globalisation and digital technologies have shortened distances, what happens in Africa has a more immediate effect on Europe (and vice versa), than on China, for example. While migrations are probably the most visible aspect, this assertion also applies to cultural and economic trends. The cost of freight is historically low at present, enabling goods imported or exported over long distances to remain competitive. In the long term, this trend could be inverted. The economic advantage of geographic proximity, all too often forgotten today, could then become stronger. The new partnership must strive to go beyond the stage of geographic proximity to an effective and organised proximity.

The renewed partnership must be rooted in clear proposals from both parties, generating a mutual commitment. In terms of narration, the *"value proposal"* must be redefined. Europe's proposal has gradually faded into bureaucratic complexity, leaving room for apparently simple and attractive alternative initiatives – notably Chinese ones. However, the basis for a new narrative exists: it is the inter-penetration of the two continents, the link between the people, a shared history, political, cultural and economic relations, on-going trade exchanges and investments, as well as training programmes. Accepting that Europeans can also learn something from Africa and its population, notably with regard to intergenerational solidarity which has become strained in an ageing Europe. The narrative must recognise and enhance this, giving Africa and its populations a new role and a new direction, oriented towards the next 20 years.

1.3.1. A partnership structured by the Sustainable Development Goals (SDGs)

This policy must have a clear overall objective: re-asserting the SDGs as a shared structural vision of the world's transformation.

Source : https://www.un.org/sustainabledevelopment/fr/objectifs-de-developpement -durable/

Adopted in 2015 by every country on the planet and coming into effect in 2016, the 17 SDGs respond to prosperity objectives, while protecting the planet, with a single target: achieving them by 2030. They differ from their predecessors, the Millennium Development Goals (MDGs), by focussing on the notion of sustainable development rather than development, and adding an environmental dimension to the social and economic ones of the MDGs.

This semantic change is behind another evolution, concerning the philosophy of the SDGs: through the notion of sustainable development, they assert a universal vision of development, concerning every country on the planet and not just developing countries.

Thanks to this broader concept of development, the SDGs can be used to structure the relationship between Africa and the EU. As well as the relevance of the goals defined, the convergence between the EU and Africa on the notion of sustainable development, notably by increasing the responsibility and role of African countries in defining their development goals, would open the way towards more reciprocity in the EU-Africa relationship.

The SDG notion has always implied adapting and contextualising goals for each country to integrate and best respond to its economic, social, and environmental reality. This adaptation is the essential counterpart of the goals and sustainable development defined on a global scale for countries with different levels of development. This idea of adaptation and development must be examined in depth to reverse the usual paradigm of the definition of development objectives, from an approach resulting from the field objective, to objectives defined by the reality of the field. In short, encouraging both Africans and Europeans to reclaim the SDGs, to adapt them to the actual situation of their territories. Africans must assert their role in shaping SDGs to suit the realities of the development challenges specific to their countries, rather than being recipients of these goals. The reality on the ground and the particularities of each African country must therefore be foremost in the definition and implementation of SDGs in development projects. For example, regarding environmental aspects, rather than starting with the targets of the Paris Agreement, the approach should start with Africa's environmental particularities and the challenges of integrating them into the frameworks of projects for the SDGs approach.

This change of paradigm would re-establish the role of African nations in the definition of their development goals and thus make them more implicated and responsible for their own development. It is also one of the areas in which more reciprocity could be introduced into the relationship between Europe and Africa. The lessons learned in practice by African countries as part of the same sustainable development approach to the SDGs could be very useful to European countries. SDGs could therefore play a key role in the change of paradigm and redefine a balanced, mutually beneficial, reciprocated partnership.

Sharing a common vision of the partnership

Recommendation no. 1:

Basing the EU-Africa partnership on the 17 Sustainable Development Goals (SDGs). Building on the SDGs to make the EU-Africa partnership one of reciprocity and balanced exchange, so that each party embraces national, continental and global challenges.

The objective is to create reciprocity, to define the SDGs as part of Africa's reappropriation and to convey a shared vision of global transformation. This vision must be accompanied by effective development measures in order to demonstrate the credibility of the processes.

1.3.2. Getting to know one another better: a mutual promise prior to the new partnership

In both Europe and Africa, there are many clichés about what lies on the other side of the Mediterranean Sea. These preconceived ideas can be devastating: stimulation of the migratory impetus and disappointment upon arrival on the old continent, persisting prejudice in European public opinion.

A new partnership cannot be built without doing away with the ignorance and misconceptions that surround our respective public opinions. The first task is therefore to work on really getting to know one another. The Africa 2020 season, an initiative launched by France to inform of the cultural, sociological and historic treasures of changing African countries, is a step in the right direction. Such initiatives must be multiplied throughout Europe. **In Africa, similar initiatives could be taken to enlighten local populations about the EU, a "Europa 2020", as a form of reciprocity beneficial to both continents.**

Working with the youth on these subjects is almost certainly the best way to achieve a deep-rooted change of mentality and in the Euro-African relationship. Erasmus is often presented as one of the rare initiatives to embody European construction. This programme, created just over thirty years ago in Europe, has been a genuine success. Almost 10 million Europeans, mostly students, have experienced life in a different European country during their studies. These exchanges have been beneficial and fertile, because more than 80% of these young people now claim to feel more European than ever. **Could a Euro-African Erasmus programme not have a similar effect?**

It is this cultural, linguistic and human intermingling that the EU and Africa need. The exchange of good practices and cultures results in better understanding of others and destroys the barriers of prejudice. **This could be accompanied by the creation and organisation of shared influence networks, leading to a real awareness of a shared destiny.** Aside from the diaspora born and/or living in Europe, bicultural people with strong ties in both Africa and the European continent, who make constant physical and cultural trips between the two continents, could be the cement for such influence networks, building a Euro-African *soft power* based on common values. Like "chameleons", they feel perfectly at ease in both cultures and in both geographic territories. European and African young people, being far more open to such ideas that one might suspect, must be given serious consideration to help change the perceptions between our two continents.

In the area of university exchanges, the movement must be intensified. Throughout the world, one mobile student in ten is African, i.e. a mobility rate that is twice that of the global average.[26] France remains the top destination for African students, with 150,000 students from African countries, representing 44% of foreign students.

As for the rest of Europe, it now represents less than 45% of destinations for African students, a figure in strong decline.[27] In the other direction, there are too few partnerships with European universities – i.e. between universities in the 28 Member States and their African counterparts – to enable European student mobility on the African continent. This loss of influence could ultimately be detrimental to the EU. China, on the

[26] Campus France, Les Notes n°16, *La mobilité internationale des étudiants africains* (International mobility of African students), November 2017.

[27] *Ibid.*

other hand, is accelerating its *soft power.* As well as the fifty or so Confucius centres that have opened in Africa over the last five years, the country offered 80,000 grants to African students in 2018, according to official figures from the Chinese ministry of education, i.e. 300 times more than 10 years ago.

Shared knowledge, built upon exchanges between African and European researchers as well as researchers of the diaspora, could stimulate mutual knowledge on the two continents, notably applied research on African and European problems in the fields of health, agriculture, environment, personal services, migration, security, defence, etc.

Open European communication

Better understanding also requires better acknowledgement of what already exists. The EU suffers from invisibility in the field. Member States mobilise considerable amounts of money in the form of grants and loans. Although more resources are involved, the EU is losing ground in terms of visibility to other players, such as China, Turkey, the Gulf countries, and Morocco, whose investments in infrastructures or grants are broadly publicised. The USA is also very imaginative in how it promotes its assistance.

The EU must work on communicating its actions and values in Africa, making its projects full-blown African projects, and promoting their impact systematically. This promotion involves African influence leaders with perfect knowledge of their territories and civil society groups with local influence. The goal is not to embellish the reality but to explain exactly what the EU does in Africa. This is an essential addition to any new action, in order to enable the population to evaluate the resources provided. Why not apply the community principle of subsidiarity, which notably enables the identification of academic and economic subjects as favourite European subjects? However, this depends on the European Union's capacity to formulate a political ambition that is legible to Africa, which, thus far, has proved to be difficult.

It is also essential to work on ensuring the coherence of its actions, making them easier to identify and understand on the ground. On this matter, the upcoming review of Europe's financial instruments for Africa must guarantee the legibility and easy understanding of these financial tools.

1.3.3. Employment goals

The African population will have doubled by 2050. To absorb the 30 million young people who will be arriving every year on the employment market, the African continent will have to change the scale of its capacity to create formal jobs and to facilitate the passage of the informal to the formal.

Plenty of other challenges are implicated in this matter: fighting against the underlying causes of migrations, raising standards in terms of decent employment, etc. SDG 8, concerning access to decent employment, is included in most development policies and impact assessments of financial backer programmes, but it is drowned among the many others (climate change, gender, etc.). In view of its importance and ripple effects (development of a middle class with an economic and cultural capital), measurement of the impact of European actions could specifically target the creation of formal jobs, a goal shared by the entire African continent.

Furthermore, the attention given to local employment differentiates European companies from many companies around the world. However, this observation should be tempered due to a recent change in approach by certain emerging countries, as shown by a study conducted by McKinsey consultants in 2017 *Chinese Economic Engagement in Africa*: Chinese companies, of which there are 10,000 in Africa, claim to have created 300,000 jobs for Africans. This same study reports that 89 % of the jobs in Chinese companies in Africa are held by Africans.

The European narrative must not be shy about recalling the efforts made to create local jobs, to provide training and to ensure the gradual substitution of European top managers with Africans. For example, in the Ivory Coast, the European Chamber of Commerce indicates that 100,000 jobs (of the country's 510,316 jobs according to official figures) were created in the so-called "modern or formal" sector. Efforts in the fields of training, infrastructure management, and maintenance assistance (notably in the utilities sector) are also elements of differentiation compared with Chinese projects, which involve little in the way of technology transfer and executive level positions. According to the McKinsey report, of the 1,000 Chinese companies in Africa interviewed, only 44 % were headed by Africans.[28] The EU must acknowledge and highlight this difference and promote this advantage strongly among its African partners.

[28] McKinsey&Company, *Dance of the lions and dragons,* June 2017.

II

ANCHORING THIS VISION IN PRIORITIES

The key sectors of the EU-Africa partnership in which a new model can be jointly invented must be defined. The themes must differentiate the EU-Africa relationship from competitor visions in Africa and around the world.

2.1. Consolidating the partnership with stable and inclusive business environments

European and African companies both stress the fact that they benefit from a stable business environment. This refers to the stability of the laws governing investment and transparency of the processes that lead to legislation changes. It does not mean that the States must no longer adapt their legislation to global changes. However, it is often the processes that leading to these changes that are not transparent, due to a lack of communication by the stakeholders and even the absence of negotiations with the parties concerned, thus attracting criticism.

It is therefore commonplace that one country in Africa amends a text on imports in its finance laws and, a few days before its promulgation, another imposes a new tax after negotiating the opposite with the players concerned. A business climate that calls for suspicion, and even mistrust, discourages newcomers to choose Africa as an investment territory because the entry barriers appear too high. However, it is these very newcomers, notably European micro, small and medium-sized companies, that must be attracted to Africa to build new kinds of partnerships with similar sized African companies, creating jobs and added value.

The business environment and its legal insecurity are the main cause of difficulties, excessive costs and over-evaluation of the economic risk in Africa. Boards of directors of European companies are particularly sensitive to the challenges of contract fulfilment, investment protection, the fight against tax evasion, repatriation of currency, transparency, and the fight against corruption. Many African countries still suffer from excessive bureaucracy, although efforts to simplify administrative procedures have been made in many areas, notably assisted by digital technologies. This goal of pre-investment stability is accepted by Europe-based companies, which are subject to growing regulatory requirements (national laws, such as Sapin 2 in France, OECD guidelines, extra-territorial American and British laws such as FCPA and the Bribery Act).

For African companies, the ease of creating a company, obtaining loans without guarantees and accessing cross-border trade are all key factors in the development of African champions and small/ medium sized businesses. Other companies from emerging countries are not as committed to a transparent business environment, provided they benefit from distortions of competition, notably by under-estimating their obligations in terms of customs duties and profit tax. This also contributes to a climate of economic tension that is not necessarily beneficial to Africa.

It is therefore important to re-assert with conviction the need for a Euro-African dialogue based on SDG 16,[29] notably the construction of a shared vision of the state of law and business law. The fight against corruption must be the topic of ambitious efforts by the partnership to reinforce anti-corruption systems, providing them with real powers and funding on subjects such as public sector contracts and transparency of beneficiaries, for example. A joint arbitration chamber with equal representation would help to consolidate the mutual trust of investors. To date, almost all trade or investment claims related to the African continent are brought before courts of arbitration outside Africa. In April 2019, the creation of the African Court of Mediation and Arbitration (CAMAR) in Marrakesh is a major step towards finding arbitration solutions that are closer to territorial realities. The route towards continental and international recognition remains long. Within a joint arbitration chamber, the possibility of processing claims occurring in Europe involving African investors would add credibility to the approach by making it reciprocal. In a climate in which international institutions are mistrusted by certain global players, the EU and the AU initiating and supporting an original initiative such as this would be a display of shared commitment and independence.

[29] SDG 16: Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels.

Making business environment a shared priority

Recommendation no. 2:

Implementing a Euro-African arbitration chamber for trade, financial and legal claims involving European companies in Africa and African companies in Europe.

This Euro-African arbitration chamber could include a commission for the fight against corruption in Africa and in Europe, *via* an increase in resources, skills and real independence of the legal institutions specialised in financial crime.

Doing Business, an example?

The Doing Business ranking, launched in 2003 by the World Bank and currently including 190 economies around the world, measures business regulation, i.e. the reforms in favour of liberalisation and facilitation of trade and the actual implementation. This ranking identifies the "good students" and shows the path. Economic players are surveyed to assess the positive (or negative) evolution of 11 areas of a company's life cycle: company creation, obtaining a building permit, getting electricity, ownership transfer, obtaining loans, protection of minority investors, payment of taxes, trading across borders, enforcing contracts and resolving insolvency. Among the 190 countries assessed by Doing Business 2019, only 10 out of 53 African countries were in the top 100 and only two in the top 50 (Rwanda and Mauritius). Nevertheless, African countries appear to be major reformers, even if this means that the "Doing Business ranking race" becomes a priority for governments, as the marketing tool replaces voluntarism and political vision.

Yet beyond the actual ranking, it is important for African countries to build a strong narrative, based on a foundation of verifiable, coherent and reliable data, paired with a voluntary state vision. Rwanda did just that, by seeking sponsors in the USA to build the "Rwanda national brand".

The European Union, acting almost exclusively on grants (notably the EDF), has resources to improve the business environment. The low level of European resources (both bilateral and on the scale of the EU) is often presented as the reason for losing a battle against China. However, **the total amount of European ODA is far from negligible and could be used differently to maximise its impact.** The 11th EDF (2014-2020) represents €30.5 billion, mainly devoted to Sub-Saharan Africa. In 2017, according to the OECD's Development Assistance Committee (DAC), European institutions promised more than €4.6 billion to official development aid, with additional contributions from France (€2.2 billion), Germany (€2.3 billion), and the UK (€3.3 billion) for the Sub-Saharan region.[30] **The total amounts are therefore considerable and far higher than the 15 billion in *"free aid and interest-free loans"* announced by Chinese President Xi Jinping at the China-Africa Summit in September 2018 in Beijing.** This amount, already announced in 2015, is probably spread over at least five years, and includes a reality beyond the strict definition of the DAC, since it primarily concerns tied aid and debts with African partners, mostly to build infrastructure.

[30] *OECD DAC Aid at a glance by donor.*

Infrastructure is a key element of an attractive business environment. The existence of infrastructure – construction and regular maintenance – whether in the fields of transport, energy or health, is essential to all areas concerned by the EU-Africa relationship (industrialisation, trade facilitation, mobilisation of domestic resources). **On this topic, it is imperative that the EU does not give up to Chinese players, by maintaining a clear discourse on this key subject for Africa.** Without good quality road or rail links between Dakar and Bamako, who is likely to consider Senegal and Mali as large markets? Without electricity that is free of costly oil-fired power plants, how will Madagascar be able to boost its competitiveness for an industrial partner? According to a World Bank report published in February 2019,[31] Sub-Saharan African countries could attain their infrastructure development and global warming limitation goals by spending 7.2% of their GDP on maintenance. During the period 2009-2015, a study of 24 Sub-Saharan African countries[32] reported that each country spends 2% of its GDP on infrastructure-related expenditure. The problem is therefore two-fold: do more, with better funding.

Giving up on this crucial subject, notably to the Chinese, would be a mistake for three reasons:

- Firstly, the debts of certain states with their Chinese partner for infrastructure of questionable size severely reduces their development capacity. This is the case, for example, in Zambia, Congo Brazzaville, and Djibouti. There has been much talk of the example of Kenya, facing difficulties to reimburse its $3.8 billion

[31] World Bank Group, Beyond the Gap, February 2019.

[32] World Bank, *Why we need to close the infrastructure gap in Sub-Saharan Africa,* April 2017.

debt with the China Eximbank for the construction of the Standard Gauge Railway (SGR) between Nairobi and Mombasa. Will Sri Lanka's example of having to sell its Hambantota port to China for 99 years, because it is unable to repay its debt to Beijing, happen again in Africa? China, which is protective of its image and good relations with the African continent, appears to have heard the criticism, including that voiced by the IMF. In a speech in Beijing, upon President Xi Jinping's invitation, Christine Lagarde, IMF's Managing Director, acknowledged that China was making progress, with better debt sustainability. According to a study by an American institute, Rhodium Group, published on 29 April, there are few examples similar to the Sri Lankan situation. However, there is little information available and the secrecy surrounding the "debt contracts" between China and third party countries offers little reassurance. Africans are aware of the issue of sovereignty and some are starting to take action. Sierra Leone, for example, a "small" country in West Africa, has scrapped plans to fund the Freetown port expansion with Chinese debt. Europe and its African partners must discuss this risk more openly, now that it has been recognised by the latter. The Paris Club, an informal group of public creditors, presided by France, has started a long but essential project on this subject. This must be given more visibility.

- Secondly, there is an offer from European companies concerning studies, financial engineering, civil engineering works, and equipment supplies. Although we are less competitive in certain segments (notably civil engineering and equipment), it is important to highlight our advantages: strong element of advice and best project definition in terms of sizing, technology transfer, capacity development, support for institutional structuring within the sector, material resistance, controlled maintenance costs. Some battles will be more difficult than others, notably for infrastructure that, by nature, generates substantial losses, such as inter-urban rail transport. However, understanding the “profitability” of an infrastructure demands consideration of more than just the income it generates. The positive effects on the economy and the development of a previously inaccessible region are difficult to measure, but are also positive consequences of the infrastructure. For an increasing number of projects demanding complex financial engineering and involving usage-based income and grants, investment funds dedicated to infrastructure can evaluate the advantages of offers with a large “European share”. Ten Merina and Senergy solar power plants in Senegal, and the Ivato airport in Antananarivo are good examples.

- Finally, as a financial backer, Europe must promote the broader nature of its offer. The European instruments used to fund and accompany infrastructure projects are currently disseminated among the many funds and budgets of the EDF; they would benefit from better identification and being more legible to both companies and governments in Africa. Increasing capacity, project definition advice (public and PPP), financing for preliminary feasibility studies, funding in the form of guarantees, debts or equity capital and, most importantly, advice on maintenance: Europe possesses all of these tools. However, they can only be mobilised at once by top specialists within the European bureaucracy. **On the subject of infrastructure, as for other issues, better visibility and communication would enable more projects to be completed – and more quickly so. Europe must position itself as an integrator of these European offers.**

Articulating a European Offer on Infrastructure

Recommendation no. 3:

Building an integrated public/private sector European offer for the deployment of sustainable infrastructure in Africa, by promoting comparative European advantages (with attention given to financial viability, quality and sustainability, maintenance, and project assistance on training and governance). In parallel, making fast execution a priority.

2.2. Building value chains:[33] EU-Africa and Africa-Africa

It is difficult to predict the future of industrialisation in Africa. We do not intend to provide decisive solutions, but rather to point out the questions that should be discussed. However, two things are certain: African countries have many assets, both in terms of raw materials and potential markets. Some countries are becoming industrialised, others less so. The tools to support this process must therefore be differentiated.

The world has only known one development process so far: the gradual (or more sudden) move of the often informal agricultural sector to a dominant service sector *via* one or more phases of

[33] Value chain refers to the structuring of all the productive activities of a company, carried out in different places, to bring a product (or service) from design to production and delivery to the end consumer. These value chains can be viewed locally, regionally or globally. For example, the value chain of a car manufactured in Morocco for the French market involves R&D, generally performed in Europe, raw materials usually produced in Asia (e.g. steel), assembly in Morocco and distribution to the end user in France. The subcontractor companies, suppliers and subsidiaries are paid according to the distribution of the value added at each stage. The challenge is to ensure that this value is properly distributed.

industrialisation, which often coincide with the emergence of a wage-earning middle class. This was the case in Europe during the industrial revolutions of the 19th and 20th centuries and in the East Asian Dragons and Tigers in the 1960s. These industrialisation phases occurred in different economic, social and cultural contexts, and under different conditions, but they still occurred. Historically, Asia became industrialised during the same period as its demographic transition, enabling the training of age groups that quickly entered the employment market.

What will happen in Africa? Probably not the same thing. If it does become industrialised, the continent will have to work with very young and unskilled labour for several generations. At present, there are no examples of countries or regions that industrialised under similar conditions.

How can the EU assist a process that will necessarily differ from its own, and that is still uncertain in terms of conditions and scope? While many questions remain, the EU can help build an institutional environmental that is favourable to industrialisation, regardless of its form, and support highly pragmatic industrialisation initiatives. Regrettably, the Cotonou Agreement barely touches upon this subject. The European negotiation mandate almost ignores it completely, yet it is one of the priority objectives of the ACP countries' mandate, just like industrialisation is a priority of both the SDGs and the African Union's Agenda 2063.

2.2.1. Industrialisation: a necessity?

A look back at past offers some enlightenment: relatively speaking, Africa is less industrialised now than it was before. In the 1960s, the share of the manufacturing sector in gross GDP increased rapidly in Sub-Saharan Africa. However, this trend was short-lived. After contrasting evolutions in the 1970s, the 1980s were marked by a period of stagnation and even de-industrialisation of the continent. Industry represents 25 % of GDP in Sub-Saharan Africa (2017, World Bank), compared with 31 % in 1980.[34] Even more significant is the share of manufacturing production in the continent's GDP, which was less than 11 % in 2016. South Africa, which alone represents 24 % of Africa's GDP, is tentatively re-industrialising after its dramatic de-industrialisation; this could be a textbook case to be observed. Africa represents only 2 % of the world's value chains, while China accounts for a quarter of the production of manufactured goods.[35] The trajectories of the various countries and sectors thus vary.

Generally speaking, African industry is not very competitive, being focussed on its raw materials and, for some countries, reliant on public companies in a monopoly position. It has difficulties diversifying and establishing itself on international or intracontinental markets. Bad timing in the world economy, inadequate initial conditions (insufficient infrastructure and political instability), unsuitable policies

[34] Industry's share in the European Union's GDP also fell, but only by three points, from 25% in 1980 to 22% in 2017 (World Bank data). These figures include extractive industries and electricity. The figures are much lower for manufactured goods production only.

[35] UNCTAD 2017 data, published in Pierre Jacquemot's article "L'industrialisation en Afrique en question" (The issue of industrialisation in Africa), published in Afrique Contemporaine 266, 02/2018.

(accelerated and badly managed commercial openness, lack of coordination) are all possible explanations for this failure.[36]

Can Africa do without the industrialisation phase? Some people have put forward the idea of an African development without an industrialisation phase, with development in the service sector.[37] This situation has been observed in countries like Mauritius, and is considered for Cape Verde, but it is difficult to replicate. However, industrialisation offers two advantages for the continent. Firstly, it helps to create more stable growth – under certain conditions – by increasing productivity and diversifying income. The industrial sector has a productivity rate 6.5 times higher than that of agriculture and 1.6 times that of the service sector.[38] Secondly, industrialisation creates jobs, notably formal ones, in a continent where 86 % of employment is informal.[39] It might not be a miraculous solution, but it can make an important contribution to lasting economic development. However, certain conditions must be fulfilled and both governments and companies must be committed to this huge task.

[36] Carol Newmann, *Made in Africa: Learning to Compete in Industry,* Brookings Institution Press, 2016, 306 p.

[37] Africa “skipped” a certain stage of the digital transition and it could do the same for industrialisation, directly developing a society mainly organised around services. This example is often proposed by researchers seeking to prove that there is no pre-defined linear process to development.

[38] La Tribune Afrique, *Contexte industriel en Afrique : un déclin durable ?* (Industrial context in Africa: a lasting decline?), 20 September 2017.

[39] International Labor Organization, press release 30 April 2018, “More than 60% of the world’s employed population are in the informal economy”.

2.2.2. What can the EU offer compared with emerging countries as an African model for industrialisation?

The model of African industrialisation *via* China is often proposed. This would annihilate any hope of developing market share for European manufactured goods on the continent. What is the reality of the situation? It is true that Xi Jinping confirmed the continent's industrialisation as a priority at the Chinese-African cooperation forum in September 2018. This model drew millions of people out of poverty in China, by reconciling the existence of an informal economy; Africa might be tempted by this due to initial similarities and the rapidity of the change. Citing the example of Ethiopia, some people believe that Africa could recover some of the 85 million jobs that will be leaving China because of the rising costs of *"Made in China"* goods.[40] This theory should be viewed with circumspection and is demolished by the Chinese themselves, who are massively investing in artificial intelligence and robotisation, which will be among the solutions to delocalisation.

Nevertheless, Ethiopia has seen Chinese firms building industrial and special business parks (Hawassa industrial park, Bole Lemi, Debre Birham). Foreign companies are attracted by the very low labour costs (approximately 10 times lower than in China), access to AGOA[41] and very generous tax exonerations. Success has been

[40] Huffpost, 6 August 2016 , "In The Future, 'Made In China' Could Become 'Made In Africa".

[41] AGOA, African Growth and Opportunity Act. The goal of this American law, signed in 2000 and applicable to most countries in Sub-Saharan Africa, is to support the economy of African countries, by offering easier access to the American market provided they apply certain principles. The US therefore threatened to suspend AGOA benefits for Rwanda, Tanzania and Uganda when these countries announced bans on importing second-hand clothes and shoes by 2019 in an attempt to protect their local textile industries.

overwhelming but major challenges still remain. These industrial parks are mostly isolated areas whose driving effect on the rest of the economy remains to be demonstrated. The target of 30% local investment in these parks is far from being achieved. The number of jobs created remains marginal with regard to needs. In an interview with the US press agency Bloomberg in 2018, the Vice President of Indochine International, a Chinese manufacturing plant, proudly announced the recruitment of 1,400 Ethiopian employees, and a target of 20,000 people by 2019. Did they manage to reach this goal?

Moreover, the **capacity of all African countries to transpose this model is largely hypothetical,** particularly when the structural competitive advantages (energy, road and port infrastructures, security of land tenure) that could make African countries systematic competitors for other low labour cost countries (Laos, Cambodia) are far from being a reality. Industrialisation that encourages FDI, regardless of its source, cannot be the only solution. The development of the automotive and aeronautical sectors, notably *via* FDI in Morocco, has enjoyed great success, but the "trickle-down" effects on small local businesses remain to be confirmed. Export promotion (Egypt, Morocco, Ethiopia) is a form of industrialisation but vigilance is required to avoid the creation of enclaves that are not integrated into their environments.

The EU and Africa must join forces to invent new forms of industrialisation even as industry on the global scale is undergoing major changes (technological revolution, scarcity of natural resources, constant adaptation to demand). The climatic threats on the continent demand a new kind of industrialisation. Industrialisation cannot be achieved to the detriment of the environment, as was the case on other continents. For Europe, the renewal of the industrial fabric will only exist if the industrial paradigm is transformed and a stronger environmental, energetic, and digital ambition is incorporated. There is a way to collaborate on the conception of low carbon industrial models and the testing of new industrial solutions. The main advantages of the African continent remain its young and inexpensive labour, its potential in terms of future consumers, its capacity to invent tools perfectly suited to its terrain, its creativity and innovation paired with a frugality of resources.

2.2.3. EU-Africa value chains: encourage a better distribution of added value

The EU and Africa must use their geographic and cultural proximity to develop value chains in specific sectors, helping to introduce value in African countries by including them in global value chains. This demands **a better distribution of added value in favour of the African continent.** Renault did this, by setting up in Casablanca. The movement must be gradual to adapt to the pre-existing environment and qualifications: simple assembly at first, then more complex operations. Economic and ecological considerations do not always support transformation to the finished product stage if the consumer market is in Europe or on another continent (i.e. full transformation into a finished product to be transported by boat or, worse still, by air, is perhaps not the best idea). However, **efforts should be made to maximise local benefits.** This should be a fundamental principle, a political objective of the States and a commitment of the companies concerned. With a forward-looking view of industrialisation, the EU and Africa could select the sectors to be developed in Africa together, sectors in which the EU could share its expertise (if it has any) and guarantee access to its market.

Certain sectors of the global value chains must be thoroughly revised in the coming decades, such as the aeronautical and car industries. Why not make them co-construction sectors to imagine the industry (African, European and global) of the future? Other sectors could benefit from a joint industrial dialogue – beyond the recurrent topic of raw material transformation – such as:

- **Agricultural products:** few African agricultural raw materials are transformed locally. Many such products concern global value chains. In the Ivory Coast, the world's largest cocoa producer, the rate of initial transformation is just 35%; the government has set itself the ambitious target of increasing this rate to 50 % by 2020. Tax incentives in favour of local transformation must be implemented with due thought and planning so as to avoid undermining the mobilisation of domestic resources. The EU must get more involved in assisting African institutions, interprofessional associations and companies **on the subjects of quality, traceability and health norms, which would enable these industries to access export markets** with a higher level of added value. Financing storage and logistics resources for transport will also help to counter the problem of having to export products quickly to prevent deterioration. The fishing industry in West Africa is also an interesting case. In Africa, approximately 10 million people work in this sector, 7 million of whom are in West and Central Africa.[42] State subsidies and EU-Africa fishing conventions[43] have sometimes encouraged over-fishing, causing a decline in the fish stocks available locally (which

[42] PASSERELLES, VOLUME 17 - NUMBER 10, 20 December 2016, "Développement des chaînes de valeur et subventions commerciales dans le secteur de la pêche en Afrique de l'Ouest" *(Developing value chains and commercial subsidies in the fishing sector in West Africa).*

[43] Fishing conventions exist with Cape Verde, Ivory Coast, Sao Tomé, Madagascar, Senegal, Liberia, Seychelles, Mauritius, Morocco and Mauritania.

are mainly destined for export) without even preventing the development of illegal fishing, which further weakens traditional and food fishing. The subsidies and negotiations between the EU and these countries could be redirected to the transformation segment – rather than fish capture – to increase the value added and create employment – notably for women.[44]

- **Waste recycling (circular economy):** this sector is vast, capable of generating sub-products for the new materials industry, the energy industry in the form of biomass, and even agriculture by producing fertiliser. Waste recycling has the advantage of creating many jobs for the collection aspect, comprises a public health aspect and creates a knock-on effect by supplying raw materials for the manufacturing sector (textile, paper, cement, plastic products or recycled composites). Although waste production in Africa remains marginal on the global scale (500 grammes per person per day, according to the World Bank report published in 2018: *What a waste 2.0: a global snapshot of solid waste management to 2050*), exponential production is a genuine challenge facing the continent. According to this same report, Africa will see the world's fastest increase in waste production between now and 2050, with production tripling. The collection rate – currently around 44% – could be significantly improved. This is also a world challenge, a sector in which the development of African technologies could emerge. The non-processing of solid waste contributes to climate change: it represents approximately 5 % of greenhouse gas emissions.[45] On a continent where resilience

[44] Passerelles, Volume 17 - Number 10, 20 December 2016, "Développement des chaînes de valeur et subventions commerciales dans le secteur de la pêche en Afrique de l'Ouest" *(Developing value chains and commercial subsidies in the fishing sector in West Africa).*

[45] What a Waste 2.0: A Global Snapshot of Solid Waste Management to 2050, World Bank, 2018.

to extreme climatic events is an almost daily challenge (floods, population displacements), waste recycling could help provide industrial, social, and climatic solutions that could be exported. Dialogue between the public and private sectors is essential for such projects. Although there is much talk on the topic, few initiatives are actually implemented. They involve many parties and initiatives (collection, sorting, recycling, final production) based on an economic model that has not yet been defined. The EU and Africa could work together to come up with ways of maximising the use of recycled products to be reinjected in industrial global value chains.

- **The cultural industry:** in the most stable countries of Sub-Saharan Africa, the cultural sector is growing and creative and cultural industries (CCI) have been identified by governments as being levers of growth, identity assertion, and soft power. In 2016, they represented between 3 and 5% of the GDP of French-speaking African countries.[46] However, it seems that Sub-Saharan Africa suffers from a serious deficit in terms of copyright management, which prevents the due remuneration of right-holders and the structuring of a sector that shows a high level of creativity and infinite global potential. In 2015, the African cultural economy was the least developed in the world, with income representing only 1.1% of GDP on the scale of the continent.[47] For example, a study conducted in 2012 by UNESCO reported that the cultural sector contributed 2.8% of GDP in the Ivory Coast and generated more than 650,000 direct jobs, i.e. the equivalent of the country's entire civil service. The Ivory Coast's Minister of Culture estimates

[46] Afd-BearingPoint, *Étude technique sur les ICC en zone UEMOA* (technical study on CCIs in the UEMOA area), 2018.

[47] *Ibid.*

that this figure has risen since 2012 and that at least 30% of cultural players have not been identified. African nations are thus coming to realise the contribution made by their cultural and creative industries to their growth and are considering pan-African agreements to accelerate their development, as in the UEMOA area. Cultural development demands guaranteed remuneration equal to the talent of African artists. The study also shows that the value chains of the music, audio visual and visual arts industries must be professionalised. The interviews conducted reveal the absence, in all UEMOA countries, of a detailed nomenclature defining the roles and obligations of the different players in the various cultural sectors. CCI professionals (including authors, beneficiaries, copyright management organisations), as well as other parties in the value chain (e.g. magistrates, law and order) are not always familiar with the workings of copyright and similar laws, nor with their implications. Certain major players involved in structuring the artistic industries must therefore be trained, assisted and possibly given more power. Furthermore, the development of CCIs and the respect of copyright law also implies increasing the awareness of users of cultural content. Finally, the new, private, radio and TV channels, telephone operators and digital platforms must be encouraged to pay fair royalties – otherwise this could soon become a form of looting – and sign agreements with copyright collection agents, where they exist. Finally, African nations must make particular efforts to structure and strengthen their capacity to collect copyrights. The EU, which has just ratified the first law of its kind to protect copyright, could share its expertise in this domain. Structuring the CCI sector would enable Africa to contribute to global value chains. Today, platforms such as Netflix, which fund and broadcast productions made both in and outside the USA, are looking with interest at Africa, and particularly at productions from the Nigerian Nollywood, second only to Hollywood in terms of turnover. The American platform now pays high prices for successful African films, such as Lionheart by Nigerian director Geneviève Nnaji, who sold her film rights for $3.8 million. Of course, African nations have much to do in the way of improving internet connection quality – in Nigeria, 2GB of data costs just under €18 and an hour of Netflix, for example, uses at least 1GB – to be of interest to content producers, even if the platforms are currently side-stepping this pitfall by accelerating research into streaming without using the internet. Europe, if it does not want to be completely excluded from this huge market, could propose joint Euro-African productions, that could be exported globally and interest platforms with content quite different from Hollywood clichés. These platforms are already starting to form partnerships with telecommunications operators in Africa, to propose plans designed for platform use. Without limiting entrepreneurial élan in this field, Europe could propose specific legal assistance to African nations, as well as associations of African actors and producers, to help them make the most of this new environment. Today, a South African payable TV operator, such as MultiChoice, claims that the American Netflix could ultimately represent a threat to its survival.

2.2.4. Gambling on Africa-Africa value chains: the market of the future (and of today)

On top of industrialisation for export, companies are counting on the construction of regional value chains for production destined for the African market. They are sure that the future depends on this segment and that a new EU-Africa partnership, which claims to consider at least the next 20 years, must bear this in mind.

Demographic and economic growth, urbanisation and the development of a “middle class” – although this point is often contested, notably with regard to the definition and measurement of this middle class – are all factors that will contribute to the development of critical sized markets on the continent.

The substitution of imports, i.e. the local production of products already consumed on the content, **is set to develop.** This demands a well-sized protectionist policy from governments to allow local industries to invest and step up their game. Cameroon’s pasta sector is one example. The government increased customs duties on imported pasta, while offering incentives under the investment code for local industries. The pasta market, which was previously exclusively import products, mainly from Turkey, was restructured within six years, and is now dominated by two local companies. These companies have developed modern production facilities and work on upstream integration (flour) to enable them to be competitive on the CEMAC market, where imported pasta sometimes benefits from low customs duties. European partners must be involved in this kind of industrial project, notably by providing technical assistance and skills transfer. Another example involving a multinational corporation: Unilever invested in a toothpaste factory in Ghana, a product that was previously imported from Vietnam.

Particular attention was paid to **developing a network of subcontractors:** this is a long process, which involves the creation of network communications and the construction of solid partnerships with large companies. Again, government incentives, the voluntarism of companies, and structural support from Europe can help. The lack of detailed data on the players is an obstacle to the preparation of an industrial territorial policy – whether in the form of national or regional strategies. This lack of knowledge does not enable the formation of a corpus of legal arguments based on facts to establish the “protection” of domestic markets, to enable them to face up to international competition. The sustainability of these initiatives depends on the stability of the protectionist measures implemented (stability that reassures investors and financial backers) and a necessary complementarity of regional industries, since some states are too small to be considered as worthwhile markets. Europe has every advantage in stimulating the implementation of legal mechanisms, even in spearheading a WTO reform to give African champions time to emerge and grow. Therapeutic drugs, animal food and cement are all sectors in which local champions must develop. The goal remains the creation of employment and wealth on the African continent.

The development of new products, built on the needs of African consumers, is another area that both African and European companies should investigate. Market growth and development on the continent depend in particular on the capacity of companies to propose the right products. This industrialisation must pay great attention to the development of local solutions that take civil society into consideration, which is often more organised that one might think, and enhance the attractiveness of the territories. This means developing products that are adapted to the purchasing power of the masses.

Sources of creativity exist throughout the continent. They are mostly informal and must be developed and structured to liberate their growth potential. Europe can contribute to this movement by paying attention to this “grey” sector and to local needs. Taking into account forms of certification and generating value from the know-how and expertise in this informal sector will obviously be beneficial to the employability of young people. This is perhaps the greatest gamble for new industries, rather than optimising a creativity that we know to be low in the "traditional' sectors, and it should be supported.

2.2.5. Governance, always and forever: creating the institutional conditions to develop production facilities

The EU and Africa must reach an agreement to restore governance to the core of industrialisation policies. The liberal-style policies led by the World Bank and the International Monetary Fund focus on the development of infrastructure, and these remain essential. However, taking things a step further, it is governance criteria that determine investment decisions for Africans and European alike: planning quality, selection and quality of public investment, quality of legal institutions, stability of land tenure, exercising guarantees, quality of dialogue with local institutions (customs, tax office, etc.). Like the route between Douala and Yaoundé, the sluggishness and costs involved in getting goods from the port in Douala can discourage foreign and local industrial entrepreneurs from setting up in the area. This priority also implies greater transparency of the State and public policies to help put an end to clientelistic practices and corruption. Better public governance will have a knock-on effect on the governance of private enterprise.

A strategic vision, clear planning and selectivity with regard to support for key industries are essential considerations in all industrial investment decisions, since such decisions are taken with a long-term perspective. The EU must change the scale of its support for this strategic vision and ensure the involvement of its own industrial fabric to contribute. Looking at the example of the

UNIDO,[48] only two Sub-Saharan countries (Ethiopia and Senegal) are assisted by the Organisation for the country partnerships programme launched in 2014: this is insufficient. Many African countries have developed industrial strategies, but there are few that propose prioritisation, credible funding, and serious implementation. Country partnership programmes comprising technical assistance, advice on policy and the drafting of norms, and focussed on a limited number of priority sectors, would be welcome to develop African industry.

Institutional dialogue, particularly within the framework of public-private sector partnerships, must be formalised and improved. According to many Africans, dialogue with the Chinese partners is complex (cultural differences, lack of flexibility over financial conditions, etc.). African companies should be positioning themselves as equal partners in these dialogues. European funds could be wisely used to reinforce such dialogue structures (Industrial Park Development – IPDC – in Ethiopia) or new sovereign funds (Fonsis in Senegal, FGIS in Gabon, for example), with a fundamental need for clarification over the origin and use of funds. Indeed, in recent years, there has been much controversy over the use of such funds for political purposes. The EU must not suffer from such controversy and therefore negotiate the terms of its support for such sovereign funds, which are growing in number on the African continent (the first one was created in 1994 by Botswana: the Pula Fund). The EU and Africa could create a joint transparency index for sovereign funds to instil trust in the populations as to the origin and use of the funds, which would also enable, if applicable, the reinforcement of structures related to governance, ethics, investment strategy and transparency.

[48] United Nations Industrial Development Organisation (UNIDO).

In parallel to a new industrialisation model, the EU and Africa could reach an agreement on gradual normative convergence on issues such as climate, SDGs and CSR.[49] To do so, African countries could draw support from their regional economic communities (UEMOA, EAC, SADC), which have a growing normative power and represent relevant market sizes for companies. The EU could step up its technical assistance on topics related to industrial and environmental norms to reduce entry barriers for African countries seeking to enter global value chains; this is a major demand from African stakeholders.

Finally, all of this implies training: training for those who define the strategies as well as for those who implement them. In an area in which emerging countries are relatively inactive (long-term training for administrations), the EU could make a useful contribution to increasing the negotiation power of African nations, by mixing models from both the north and south. Indeed, it is no longer acceptable that a knowledgeable EU sweeps into Africa with its own branding. The EU's openness to other models, including those from its southern and eastern parts (Portugal and Eastern Europe, which have had different development experiences), would help to improve its credibility and the sincerity of its approach. The African Legal Support Facility (ALSF), an international public institution hosted by the African Development Bank, could serve as a support, adding a dose of celerity.

[49] Corporate social responsibility.

Improving added value produced in Africa

Recommendation no. 4:

Targeting industries of joint interest and building a model of gradual opening to global markets, in order to assist and develop the creation of African value chains and regional champions and, ultimately, to support them in their international export strategy, particularly in Europe. Together, updating an industrial cartography of Africa, building on the work initiated by NEPAD, paired with a cartography of relevant skills, in order to stimulate and develop Africa's productive ecosystem.

2.2.6. The necessary pragmatism of European solutions

Parallel to this strategic, long-term vision, Europe must present effective short-term solutions, so that its promises are more than just mirages compared with the fast action of other emerging countries. To do so, European funds could be directed primarily to the following projects:

- **Joint research programmes on industrial topics:** the EU could devote a financial envelope to the creation of joint research programmes by European and African universities and/or companies, with the goal of actual application in African territories. Possibilities include the entire food processing industry and building materials. The Wageningen University's work on agronomics, in the Netherlands, is an example that could be duplicated.

- **Definition of a model for *"Euro-African special economic zones"* (SEZ):** export promotion is one way of industrialising.

Industrialisation must not be achieved to the detriment of good governing and the necessary broadening of the tax base of African states, which guarantees sustainable and independent development. Africans and Europeans could consider the implementation of a Euro-African SEZ – with no tax exemption. A few sectors could be targeted, offering shared value creation and services with positive externalities (notably public services and availability of qualified workers) in exchange for installation.

- **Demonstrators of local industrial integration:** the goal being to force the trickle-down effect to small businesses. Based on contacts made locally thanks to Compact with Africa,[50] the EU could propose to fund pilot projects with high added value and offer them excellent visibility. The needs of a few large African and European companies could be used as a starting point, by substituting their imports. These programmes would include a commitment from these large companies to buy from local companies, whose competitiveness would be ensured by funding (access to credit at reasonable conditions) and substantial technical assistance (technology acquisition, implementation of processes and norms). They should include small and medium sized businesses, initially from the semi-formal sector, and ensure balanced contracts between the large company and the smaller local business.

- **The beginnings of an "African CAP":** agriculture still mobilises approximately 60% of the African workforce (including 56%

[50] German initiative during its G20 presidency in 2017 and strongly supported by France, Compact with Africa (CwA) selected 12 countries in which bilateral and multilateral financial backers and companies get together locally to discuss the difficulties of the business environment. The time has come to move onto actual projects. The coordination work has enabled the identification of tools available to governments and investors in these countries.

women)[51], mainly in the form of family operations. This sector must not be forgotten in terms of industrialisation: job creation is not only a city concern. At the Maputo Summit in 2003, African countries agreed to devote 10 % of their respective budgets to agriculture: only two countries do so today.[52] To enable small agricultural farmers to live decently, these family operations must also have access to funding, to contractualisation projects providing security and long-term vision, to training on certification and labelling, to adaptation to climate changes and to primary processing projects. Europe and Africa could make this a joint priority, by creating a European fund for family agriculture, within which regional development strategies, extending beyond national borders, could bloom. Integrated, regional industries must be created. The overriding objective must be the distribution of agricultural produce, which often deteriorates on site because of the lack of even simple storage infrastructures. For example, in Casamance, 70 % of fruit and vegetables are lost because of the absence of a transformation and conservation industry and because parasites cannot be eradicated, due to a lack of resources, according to PADERCA (Casamance rural development support project ; see Recommendation no. 6).

[51] World Bank, CSAO 2018, FAO, *Statistical pocketbook,* 2018.

[52] Interview with Alain de Janvry and Elisabeth Sadoulet, “Secteur Privé et Développement” journal, p.28, 1st quarter 2019.

2.3. Financing development: a long-term endeavour on taxation

With financing needs of over $600 billion per year[53], development is a major challenge for Africa. Although we believe that the Europe-Africa partnership ultimately aims for the development of the African continent and therefore the gradual reduction and abolition of aid, the partnership cannot ignore the long-term conditions of financing development.

In recent years, several levers have been mobilised to meet the financing needs of African nations: income from growth, income from international aid, notably official development aid, debt – particularly from China, in parallel to its increasing construction of infrastructure on the continent. However, there are many questions as to the sustainability and adequacy of these levers in view of the stakes at play.

In response to these questions, over the past few years, it has become mandatory for Africa to mobilise domestic resources *via* taxation to finance its development. In 2015, Addis-Abeba Action Agenda pointed out that significant additional tax resources would be essential for development and to achieve sustainable development goals. The AU's Agenda 2063 made better mobilisation of domestic resources one of its priorities, and its economic commission (ECA) published its 2019 report on this topic. A typical African economy imposes taxes of approximately 16% of its GDP, with the notable exception of Morocco, which collects at least 25%. According to Vera Songwe, Executive Secretary of the ECA, speaking at the 38th meeting of the

[53] UNCTAD, 2014 ; report by the United Nations economic commission for Africa, 2019.

Committee of Experts at the Conference of African Ministers of Finance, on 20 March in Marrakesh, Sub-Saharan Africa should tend towards this figure.

Better mobilisation of domestic resources must become a vision shared by Europe and Africa and constitute one element of the partnership between the two continents, resulting in measures to assist African states that want to make better use of their economic resources. While taxation issues lie at the root of national sovereignty and depend on structural factors that are anchored in their economies, Europe, as a partner of African countries, has a role to play in facilitating these changes. In the short term, there is plenty of room for progression in improving tax collection by African states. In the longer term, increasing training efforts for the tax authorities and understanding statistical data could create conditions for a tax reform, enabling the countries to draw more benefits from the results of their growth. The question of tax consent in countries that are still weak will develop in time; consensus with civil society and more credible governments are fundamental.

2.3.1. More sustainable resources with strong lever effects

Mobilising domestic resources *via* taxation should enable African countries to rely on more stable resources, making them less dependent on the global economic and political situation. It should also result in powerful lever effects due to the low tax base of these nations today.

Lately, the volatility of international aid and export-related resources – resources on which development has relied in the past few years – has made many African states more aware of the need

to turn to their home resources. The financial crisis of 2007-2008 and the European sovereign debt crisis have revealed the volatility of international aid due to its cyclical nature, dependent upon the economic cycles of developed economies. In 2012, global official development aid fell from $141.8 to $133.7 billion (OECD data). However, this cyclical nature of official development aid results in a two-fold challenge for the countries receiving the aid. Firstly, there is a strong correlation between the positive impact of the aid and the stability of its flows: therefore if the development aid flow decreases, this may reduce its effectiveness over time. Secondly, the drop in aid during periods of global economic crisis weakens the countries receiving the aid, since they are affected by both the economic crisis and the fall in aid flows. In this context, official development aid acquires a pro-cyclical dimension that prevents the African economies from achieving balance in a crisis situation.

Trade-related resources, be they customs resources or resources related to raw material trading, are also prone to extreme volatility, and they represent a large proportion of the State budget. These are determined by the economic context worldwide, *via* international demand which determines the level of exchange and the prices of raw materials. The decline of the Chinese economy thus resulted in a fall in demand for raw materials, causing a reduction of resources related to exports for African countries. Incidentally, the liberalisation of trade resulting from the creation of the African Continental Free Trade Area (AfCFTA) and the trade aspects of the post-Cotonou agreements are expected to limit the capacity of African economies to base their budgets on these resources. Indeed, the trade liberalisation will bring about a decrease in import duties and export taxes (and this has already been observed). In this context, the mobilisation of domestic resources can be seen as a more sustainable lever to finance development, being more controllable by the states and limiting their dependency on exogenic international factors.

Because of today's low tax base, notably due to a mainly informal economy but probably also to a lack of any real desire by African states to implement reforms that will probably be unpopular, the mobilisation of domestic resources presents considerable lever effects. African countries are the OECD country group with the lowest tax income: between 1990 and 2014, tax revenue only represented between 16 and 20% of GDP in five African countries (Cameroon, the Ivory Coast, Mauritius, Rwanda, Senegal), compared with an average of 34% in the OECD (45% in France). Starting from such a low level, African nations have plenty of room to progress, as we have seen in recent years. African countries are therefore also the group whose public collection rate has improved the most in the past few years within the OECD: in the 16 countries of the OECD's *Revenue statistics in Africa 2017* study, revenue increased from 14.1% to 19.1% of GDP between 2005 and 2015, while it stagnated within the OECD as a whole (+0.2 points for the period). This evolution is partly due to economic growth and party due to the tax reforms implemented in several countries (Rwanda, Democratic Republic of Congo, etc.). However, although the increase in tax revenue has been supported by economic growth on the continent, it does not match it completely, indicating that African states can still profit more from the continent's growing economic activity. The mobilisation of tax capacities that are, as yet, unused,constitutes a kind of reservoir for African nations, enabling financing of development in different fields such as infrastructure requirements or the provision of public services.

2.3.2. Mobilising domestic resources: how and for which priorities?

To optimise the mobilisation of domestic resources, African states must reconcile a number of objectives and time scales. Better mobilisation of tax income should enable an increase in level, that could finance public spending and preserve, or even establish, as is often the case, a balance in public finances, while supporting and increasing the country's attractiveness to investors, including international investors, in order to guarantee growth. This reconciliation must also be considered in the long term, since it demands that states think of both the need to increase their resources in the short term and the need to construct a fairer and more efficient taxation system for the long term.

Two major areas can be considered to meet these two needs: better distribution of the tax effort depends on sovereign choices that are specific to each African country, while better mobilisation of existing tax capacity can be an area of cooperation between African countries and the EU.

i. Better distribution of the tax effort: suggestions

With the exception of countries such as Morocco, Algeria, and South Africa, **the tax structure of most African countries has a narrow base, i.e. the income generated by the economy liable to serve as a basis for calculating taxes, on the scale of a country.**

This narrow structure is due to a number of factors. Firstly, the difficulty of approaching the informal sector economically means it cannot be included in the tax system, even though it represents a large proportion of economic activity. In the Ivory Coast, according to UNPD 2012 data, the informal sector represented 60% of GDP. This dominance of the informal sector can be related to the country's very low tax pressure, which averaged at 16.1% between 1990 and 2014. The numerous tax exemptions and exonerations granted to certain sectors (agriculture, natural resources) further limits the tax base.

Having a narrow tax base has two pitfalls: it limits the resources generated by economic activity for the State (since it excludes a large proportion) and tends to induce excessive tax pressure in the sectors concerned by taxes, which also face higher rates. The large corporations active on the African continent are unanimous: the taxation system is too focussed on them, with constant tax audits and unpredictable conclusions. Thus, as well as having an overall tax pressure that is lower than OECD countries' average, African countries tend to focus their taxation system on a small number of companies in the formal sector. In the six countries concerned by the OECD's *Revenue statistics in Africa* study from 1990 to 2014, the income from company tax as a proportion of total tax income was comprised between 13 and 18% of GDP, which is far above the 8.5% OECD average. In Senegal, for example, the average rate of tax on companies was 48% in 2016, while overall tax pressure in the country was around 20%. Such tax concentration can be dissuasive for international players, which might choose not to set up or invest in these economies, as well as for companies of the formal sector, which might prefer to operate in the informal sector. This tax pressure also plays a dissuasive role with regard to incentives for companies to re-invest their profits in their economic activity, which becomes an additional obstacle to their productivity and insertion in the trade system.

Better distribution of the tax effort is therefore essential, both in terms of public income and attractiveness. This mainly comes about by changing the underlying structure of the economy. Firstly, the level of tax remains dependent upon specific, internal and external factors, rooted in each economy, such as the place of agriculture in the economy, openness to international trade, and the size of the informal sector. Secondly, reforming the entire tax system, for example by implementing a counter cyclical tax policy, improving the mobilisation of non-tax income, and revising the tax architecture of African states, might lead to better distribution and better targeting of taxes. These subjects demand profound investigation at the sovereign level, which is well outside the framework of the Europe-Africa partnership, although it fits with the joint objective of improving the mobilisation of domestic resources to finance development, since the Economic Commission for Africa estimates that by implementing some of these measures, African countries could increase their income by 12 to 20% of GDP.

ii. Better mobilisation of existing tax capacities

Improving the mobilisation of existing capacities is a strong lever for optimising tax income and its contribution to financing development. It is one area of the Europe-Africa partnership that could have a real impact on the development of the African continent.

The four areas listed below offer the possibility of rapid improvement:

Area 1: Improving the efficiency of the tax authority

The efficiency of the tax administration system, and notably its capacity to limit the cost of collection, to maximise its perimeter

and to manage risks associated with each tax-payer category, is a crucial challenge for African states seeking to improve the mobilisation of their domestic resources.

A number of reforms have recently been initiated, and have been truly successful in improving the efficiency of the collection process. Targeting tax-payers, firstly by creating special units for large corporations as well as for small entities, has improved the tax collection process by making it more readable for tax-payers and easier for the administration to understand the different categories of tax-payers. Rwanda is a good example in this area: tax collection has been made more efficient since an agency for small and medium sized tax payers was created in 2006, enabling obligations and risks associated with each category to be better identified. The modernisation of tax declaration and payment methods, involving new digital opportunities such as the development of declarative tax and electronic payment, has also simplified tax-related formalities. Electronic payment is not sufficiently available in Africa, even though it results in a substantial improvement of compliance with tax obligations.

Better cooperation of tax authorities, enabling the sharing of best practices and innovations, must be a central part of the strategy to improve their efficiency. This cooperation should be envisaged both between African administrations facing similar problems and with international administrations, particularly Europeans within the framework of the new EU-AU partnership.

The EU can play a key role here, making taxation a core topic for the exchange of good practices with African countries, notably within specific forums. While such forums already exist at European, African, and international levels, they must be revitalised on specific subjects to deliver impact. The improvement of tax statistics, which is one of the fundamental goals of Agenda 2063 and of the United Nations SDGs, could be a key area of cooperation, since it represents an important lever for the improvement of tax administration operation. This involves better control of data by analysts within African administrations and, based on the data, the construction of a network of African experts able to deal with the continent's tax challenges. The *Africa income statistics* 1990-2014 report, published jointly by the OECD, EU, AU and ATAF (African Tax Administration Forum) is a good example of fruitful cooperation.

Incidentally, although the share of official development aid (ODA) allocated to customs and tax administration still remains very small (around 0.1% per year at present), a large share of this ODA could be allocated to reinforce the capacities of tax authorities. This training effort must target all tax authorities (taxes, customs and port duties) and include cross-sector aspects, as well as specific problems such as improving corruption awareness among African and European companies in matters relating to customs and port authorities.

On this matter, it is important to note that the efficiency of the tax authority represents a key challenge, aside from the mobilisation of domestic revenue, since it affects the tax structure adopted by the states and therefore its reform. In African countries, the dominance of consumption tax and import duties is also due to the fact that these taxes are less expensive to collect, only demanding records of commercial transactions. Thus, according to the *Income statistics* report on the 1990-2014 period, consumption taxes accounted for the majority of total tax income, i.e. more than 55% in the countries observed (Cameroon, the Ivory Coast, Rwanda, Senegal), with VAT generating more than half of the amount of this category total. Improving control over this type of information by tax authorities is the basis for any wider reform of the tax system.

Area 2: Improving the tax approach to the informal sector

It appears to be essential to move away from the dogma of exchanging informal for formal, in favour of a more measured, proportional approach aimed at preserving and even reinforcing the informal sector's contribution to the overall economy, while reserving a favourable economic environment for the development of small and medium sized businesses, which are essential to growth. In terms of taxation, this means getting the informal sector to participate more, rather than doing away with it altogether.

The informal sector represents a large part of African economies. Its contribution to GDP is between 25 and 65% in Sub-Saharan countries. However, differences exist across countries: the informal sector represents up to 50-60% of GDP in Benin and Nigeria but just 20-25% of GDP in Mauritius and South Africa, countries in which the informal sector's relative contribution to the economy is smaller. For comparison purposes, the informal sector represents 40% of GDP in Latin America, where the figure is highest, and 23% in Europe, where it is lowest.

The priority in terms of public policy for Africa has long been focussed on eliminating the informal sector, notably *via* taxation. This should enable the transfer of activity and jobs from the informal to the formal sector, which is generally held to be more productive and to contribute more to the economy. This priority has however been severely criticised, even by financial and economic institutions, such as the

International Monetary Fund, which recognises the key role of the informal sector in African economies in its 2017 report, *Economic outlook: Sub-Saharan Africa.* This evolution recognises the failure of policies and of the logic applied until now in dealing with the informal sector. Indeed, although the share of the informal sector tends to decrease as the level of development increases, this is more of a correlation than a direct causal relationship. Furthermore, structural characteristics (anchoring of the informal sector in the economy, demographic challenges, regional differences) suggest that large informal sectors might be maintained to accompany the development of Sub-Saharan countries over the next few years. Above all, the informal sector makes a key contribution to the dynamism and resilience of African societies and economies, providing employment and income for populations who have no other alternatives. This contribution is all the more essential in a context of strong demographic pressure, and in very poor or rural areas. The informal sector generates growth, supporting a sizeable economic activity, for example in the service field, where it can represent up to 60-90% of total activity.

Nevertheless, the informal sector represents a large loss in terms of tax income. Furthermore, it may be a source of unfair competition for companies in the formal sector, causing flight seepage towards the informal sector. The informal sector includes a wide range of activities and degrees of formality, from travelling traders, small shops and tiny unregistered companies, to established companies that fail to comply with their profit reporting obligations.

The informal sector's contribution to the financing of the development of the society to which it belongs is therefore a key challenge in improving the mobilisation of African countries'

domestic resources. This objective must be pursued, while preserving the vitality of the sector, which is beneficial to the economy and society. The creation of intermediary or even minimal fiscal obligation schemes, that evolve according to the degree of (in)formality of the activity, could offer an alternative approach to the informal activity without quashing it. This balance is difficult to find since any attempt that is considered unacceptable by those in the informal sector will be rejected and have no effect. In this context, a broader investigation on how to articulate formal and informal structures should be carried out in parallel. Such an investigation could, on top of fiscal matters, include issues related to social protection. The implementation of minimal social obligations, to match tax obligations, could be considered as a way of offering minimal coverage, thus limiting the vulnerability of those working in the informal sector. Europe is totally legitimate in voicing an opinion and solutions on such subjects, based on the European social model, notably with regard to employee protection. Digital technology also offers opportunities to approach the informal sector (see Area 4).

Area 3: Increasing tax consent and tax compliance

As pointed out by an OECD report published in 2014, the level of tax compliance is closely related to the level of tax income. However, African countries tend to be faced with tax avoidance by their citizens. The reasons are primarily of a practical and economic order: tax is more difficult to apply in less developed economies, such as rural areas, or due to the size of the informal sector. But there is also a political dimension. Taxation, a fundamental element of the relationship between a nation and its citizens, is an indication of the citizen's faith in the State to mobilise public resources to finance public spending, and this is all the more so in developing economies. In many African countries, citizens' reluctance to pay tax reflects an underlying dissatisfaction related to the inadequacy or inefficiency of public spending in relation to the services provided, and even to the misuse of public funds.

In this context, improving the mobilisation of tax resources can be assimilated with the broader issue of good governance, with which it forms a virtuous circle. Improving governance, with more transparency on how public funds are used and the financing of the priorities expressed by citizens in terms of public services, can result in a higher rate of tax consent and an increase in tax income for the state. This increase in resources can thus increase the state's capacity to provide public services, underlining its legitimacy.

The topic of taxation should thus be considered along with that of good governance, and should be considered as a component element thereof at every stage of the tax process (declaration, payment, provision of public services). Most of the countries that have implemented successful tax reforms in recent years (Tunisia, South Africa, Egypt) have thus paid particular attention to ensuring tax-payer awareness of the tax effort through specific programmes.

Like all nations, African countries are also affected by illegal flows and particularly tax evasion. According to a note by the European Network on Debt and Development, developing countries lose $500-800 billion in public income each year due to illegal flows: some 64% of this amount is related to tax evasion by manipulating trade operations. On this issue, Europe and Africa have a shared interest since these flows often involve the networks in the North. The same note thus suggests that **for every dollar paid in aid in the South, more than seven dollars return to the North in the form of illegal payments.**

The fight against these illegal flows could be an ideal area of cooperation for Europe and Africa, notably including better cooperation between the authorities to improve the ability of African administrations to monitor and fight these illegal flows. In this area, the BEPS (Base Erosion and Profit Shifting) project, initiated by the OECD and the G20, could be a suitable framework for cooperation between African and European administrations.

Area 4: Making the most of the new possibilities offered by digital technology

Digital technology appears to offer pertinent solutions for all of the challenges related to governance and public finance in African countries. In terms of taxation, the new possibilities of digital technology may help the mobilisation of domestic resources in several ways, such as making it easier to declare income and electronic payment, as well as offering a new approach to informal or rural economic activities. South Africa and Rwanda are among the countries that have successfully used digital technologies to improve the collection of public revenue.

Other technological innovations, such as the blockchain, can also help to improve transparency and governance. For example, in the field of land tenure, the blockchain enables identification of the land, as well as transparent and public secure storage of this information, thus guaranteeing the property of the listed asset.

However, although there have been some national success stories, there is still much room for improvement: according to the *Paying taxes* study by PwC and the World Bank (2016), only five of the 84 countries implementing electronic tax declaration and payment throughout the world were in Sub-Saharan Africa. The sharing of good practices and funding in the field of digital technology should therefore be a priority for any cooperation project between Europe and Africa.

Mobilizing More Domestic Resources

Recommendation no. 5:

Directing more funding towards training for African tax administrations and supporting cooperation between African tax administrations, notably on the topic of data exchange and availability. Helping African states build tax collection projects by deploying digital tools. Working alongside African states on tax and social protection solutions offering a flexible, graduated approach, depending on the economic player's degree of insertion in the formal or informal sector.

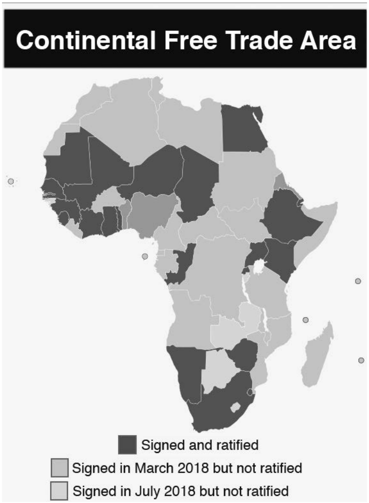
2.4. Revising trade relations by focussing on regional and ultimately continental integration

2.4.1. Regional schemes to be consolidated and perfected

Economic partnership agreements (EPAs) between Africa and Europe were implemented after the Cotonou Agreement. The agreements between ACP countries and the EU included the extension of "non-reciprocal trade preferences" according to previous agreements. These clauses lifted the commercial price barriers (customs duties) for exports from ACP countries, while enabling the latter to maintain customs rights on their imports from the EU. These non-reciprocal trade preferences were terminated in October 2014, after an initial extension in 2007.

The EPAs are therefore intended to take over from these non-reciprocal trade agreements and to ensure the compliance of trade relations between Europe and Africa with WTO rules. At the same time, the EPAs aim to accelerate market regionalisation, encouraging African countries to open up to European goods and services. This last point is regularly criticised by Africans, concerned that they will not be able to compete with Europeans because their domestic markets are not prepared. This argument is the main reason for the negotiation difficulties.

Although, for a long time, France was the only country to defend them, things seem to have changed and other European countries, such as Germany, are now showing more interest in the EPA discussions. It therefore appears that these agreements will remain effective within the framework of the post-Cotonou negotiations, unless they are denounced by either of the parties involved. The EPAs seem to fall within a legally binding framework. However, some EU Member States insist on the fact that these agreements cannot be questioned and will be an integral part of the post-Cotonou negotiations. The coming months will reveal what is what and how Africans see the future for these EPAs.



Source: Wikipedia map – Continental free trade area.

Another possibility would be a mechanism to detach the EPAs from the post-Cotonou negotiations for a limited period, to prevent blockages and enable the signature of an agreement. This would have the benefit of soothing the fears of certain parties, including the non-negligible Nigeria, one of Africa's economic and demographic heavyweights, which has so far been totally against the EPAs.

For the moment, Nigeria has not joined AfCFTA either, because it wants to protect its domestic market. The EU could act as a mediator to soften this position, by showing its good intentions in the matter of EPAs.The AfCFTA project will officially come into effect this year;

the quorum for its deployment was reached when the Gambian Parliament ratified the agreement on 2 April 2019. It will officially be launched at the next AU summit, in Niamey in July 2019.

Aside from the political dimension of such strong action by the AU, AfCFTA is the public promise of a market with 2 billion consumers in 2050, and already the possibility of developing intra-African trade, which currently does not exceed 18% of the countries' trade. The Maghreb region is the least integrated in Africa, with less than 3% of its trade within the zone, notably due to the political conflict between Morocco and Algeria over Eastern Sahara.

The negotiation work within AfCFTA will be particularly technical and long. Mechanisms to harmonise customs rules and to abolish price and non-price barriers must be found, a task that the AU intends to tackle in collaboration with the regions formed. The EU can provide financial support for tax and budget training for African negotiators in AfCFTA.

2.4.2. More pragmatism with regard to the realities of regional trade

Adoption of an integrated regional approach, taking into account differences in the countries' levels of income.

The World Bank recognises four categories of income per country: low, lower-middle, higher-middle and high-income countries. 27 of the world's 34 low-income countries identified by the World Bank are in Sub-Saharan Africa,[54] which is home to more than half of the

[54] World Bank Country and Lending Groups.

population living in extreme poverty worldwide. In this region, the number of inhabitants living with less than $1.90 per day has increased by nine million, reaching 413 million in 2015, i.e. more than all the other regions together. If this trend continues, almost 90 % of the world's population living in extreme poverty will be living in Sub-Saharan Africa in 2030. NGOs and finance backers have not forgotten the fragile populations in lower-middle income countries either and continue to support their efforts to ensure a more equitable sharing of economic growth. However, for most low-income countries, the goal of integrating the global trade system remains difficult to achieve. Their combined share of world trade has diminished and is currently below 1%.

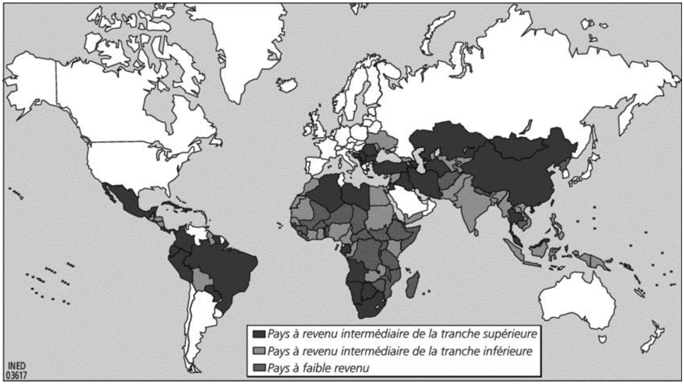
In terms of difficulties experienced by both low and lower-middle income countries, according to the conclusions of the latest forum on inclusive trade in the least advanced countries organised by the EIF,[55] the main obstacles facing low-income countries are production capacity and infrastructure, notably in the fields of energy, roads, and telecommunications. The low level of productivity and other constraints related to supply are part of the reason why these countries contribute so little to world exports. The training of both young and not-so-young generations is therefore an absolute necessity. One of the areas in which Europe could work could be to redirect its trade support action to low rather than lower-middle income countries.

Similarly, this aid could be based on better cooperation with African regions. Above all, the goal is to use regional programmes as a base, which include low and lower-middle income countries, particularly

[55] Enhanced Integrated Framework: *Global Forum on Inclusive Trade for LDCs.*

those with shared borders and similar objectives in terms of infrastructures and/or regional trade legislation.

In 2018, there were few countries in the higher-middle income group. There are only six in Sub-Saharan Africa: South Africa, Botswana, Equatorial Guinea, Gabon, Mauritius, and Namibia. There are 27 in the low-income group: Benin, Burkina Faso, Burundi, Central African Republic, Chad, Comoros, Democratic Republic of Congo, Eritrea, Ethiopia, Gambia, Guinea, Guinea-Bissau, Liberia, Madagascar, Malawi, Mali, Mozambique, Niger, Rwanda, Senegal, Sierra Leone, Somalia, South Sudan, Tanzania, Togo, Uganda, and Zimbabwe.



This distribution, although sadly homogeneous along the equator, should at least enable efforts to be coordinated between low and lower-middle income countries.

Targeting the most vulnerable population groups for trade aid, notably farmers, the largest employers in Africa

African farmers, whether on family concerns, traditional farms or small businesses, have plenty of resources and solutions for the development of inclusive, local, regional, and even cross-border trade. For most of them, the main difficulty is their ability to access these markets: insufficient funding to invest in a larger production capacity to enable them to produce sufficient volumes for export, low productivity in the agriculture sector, lack of training and access to quality inputs, major product losses, land security, etc.

Agricultural productivity in Africa thus lags seriously behind other regions of the world. This situation is based on a paradox: the continent has 65% of the planet's arable land and yet it spends $45 billion each year on food imports.[56] This figure could even reach $110 billion in 2025 according to certain studies, such as that published by *The Seed Project.*[57] Rice, a basic food for many populations throughout Africa, is the continent's top food import product.

According to FAO data, rice imports represent €700 million annually, ahead of wheat (€450 million), onions (€78 million) and palm oil (€34 million). These imports weigh heavily in countries' trade balances. On an individual level the African Development Bank (AfDB) emphasises the fact that African consumers spend on average 80% of their income on food.[58] According to the Ipsos Africap study

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[56] FAO, 2013.

[57] Platform to identify, quantify, map and create value from Africa's agricultural data.

[58] Afrimag no.115, *Agriculture : l'Afrique face au grand défi de l'export* (Agriculture: Africa faces the big challenge of export), February 2018.

in May 2016 of 15-24 year olds, which represent 37% of the active population, the largest expense item of African populations is food, representing 43% of their budget. Although these figures vary according to sources and years, probably because of the wide range of realities encountered and the difficulty of collecting reliable, recent data on the scale of the continent, they certainly illustrate a dramatic, and ultimately unsustainable situation.

Africa does have two major assets: favourable rainfall and temperature conditions from West to Southern Africa, long coastlines and a wide variety of agricultural, pastoral, and fishing territories, enabling livestock farming, arable farming, agroforestry, fishing and fish farming. However, these assets are threatened by climate change. As a result, policies to attenuate and adapt to the harmful effects of climate change must be implemented to prepare small farmers to this reality and assist them adequately. While subsistence farming and food agriculture is not enough to feed local populations, some export agriculture products constitute exceptions on the continent: coffee in Ethiopia, cocoa, rubber, mango, and cashew nuts in the Ivory Coast, cotton in Mali, peanuts in Senegal.

In addition to the aforementioned paradox, there is a second one: African agriculture could experience strong development, notably thanks to more investment from the private sector. Today, investments are mainly focussed on crops with a high export potential, not sufficiently transformed in Africa and not used to feed populations in general.

According to the United Nations Conference on Trade and Development (UNCTAD), in its report on dependency for basic products,[59] agriculture generates 40 % of Sub-Saharan Africa's export income. Some countries are even largely dependent on this income, such as Ethiopia, which multiplied its share of world agricultural exports by 12 between 1992 and 2012. These now represent 83% of total exports.

Supporting family farming

Solutions exist that could stimulate agricultural trade between and within African countries. Opening the markets to small farmers could be achieved by contracts between small farmers and agribusiness or trading companies. Such contracts, provided they are well-balanced, offer long-term visibility to farmers, make it easier for them to get input products and bank loans, and offer opportunities (logistics, storage, customers) on markets to which they would not otherwise have access. Similarly, grouping initiatives facilitate the development of reasoned agriculture. Federation NUNUNA for the shea industry in Burkina Faso, ECOOKIM union for the cocoa industry in the Ivory Coast, FENABE for the mango and shea industries in Mali, TradeAid for the craft industries in Ghana, PROCAB for the cocoa industry in Togo, etc.: 19 agricultural cooperatives or unions in West Africa won the support of the "Equité" programme[60] in early 2007, to implement ambitious projects combining fair trade and the protection of biodiversity. KTDA (Kenya Tea Development Agency Ltd) in Kenya, the first tea cooperative held by 600,000 farmers managing 60% of the country's production, is further proof that viable alternatives exist. This contractualisation – the terms and

[59] UNCTAD, *The State of Commodity Dependence Report,* 2016.

[60] https://www.programme-equite.org.

limits of which are many and diverse (unreasonable market power, non-systematic nature of the productivity increase, lack of a suitable regulatory framework resulting in long legal procedures) – must be expanded to include more than just the export crops.

Land tenure, the cornerstone of agriculture

Land tenure is a prickly subject that has been a concern for African countries and financial backers for decades. Although there is no lack of recommendations and implementation frameworks (including the FAO's Voluntary Guidelines for the Responsible Governance of Tenure of Land), it is clear that, in practice, legal insecurity hinders investments and causes individual disputes and conflicts between communities. The Ivory Coast situation in the 2000s is an obvious example. There are legal frameworks in many African countries, but their enforcement is a major stumbling block. Again, actions in the field, with true regard for community particularities, involving civil society and notably women – all too often excluded from the division of family inheritance on the continent in spite of working the land – are the only way to ensure peaceful management of these issues at a local level in the medium term.

The EU has a role to play on these topics (contractualisation and land tenure), by stimulating the organisation of relations between the public sector, private companies, small farmers, and assistance structures in the field. Developing contacts, organising and building trusted relationships are often neglected. The EU could provide funding and advice on these matters, supported primarily by organisations working locally in Africa. For example, France has a long history of agricultural cooperatives, which would obviously have to be adapted to the African context, but the exchange of good practices could be a good start. It is also important to duplicate and step up initiatives like Babban Gona in Nigeria. This structure, supported notably by FMO – the Netherlands' financial institution for development – assists more than 18,000 small operations (often with less than one hectare) in Nigeria's northern states, *via* service franchise operations.

However, the export marketing of agricultural produce also has its risks for African countries: the sale of produce involving little or no transformation at low prices; strict health and environmental norms; competition from subsidised products; protectionism in importing countries; fluctuating prices and demand on the international markets, etc. According to the AfDB's *Annual Development Effectiveness Review,* the fluctuations of world rates for food products continue to have devastating effects on trade and production, particularly since the financial crisis of 2008.

The agricultural sector alone could therefore benefit from an integrated regional vision, notably by fighting international instruments that favour imbalance, via an objective alliance between Europe and Africa with international bodies such as the WTO. The agricultural areas with the lowest productivity rates must also be granted the benefits of innovations that exist in the more advanced areas. This regional vision would also offer international investors the capacity to see agriculture as more than just raw materials with high export potential, such as cotton or cocoa, but as a major development potential with a huge local market and populations ready to continue working the land, provided this brings them opportunities and a future.

Financing Agriculture, i.e. 60 % of Africa's active population

Recommendation no. 6:

Increasing the amount of funding reserved for small farmers and family farms, notably through support for private initiatives and skill exchanges with European farmers.

Improving the capacities of the regional institutions responsible for these matters

The existing regional organisations (UEMOA, ECOWAS, ECCAS, SADC, EAC) responsible for proposing regional solutions that could simplify intra-African and European-African exchanges do not appear to be able to resolve these problems of imbalance. More than insufficient means and power, it is also a cruel lack of capacity that prevents them from promoting their skills and being listened to. Regional organisations, being influenced by local lobby groups that national governments rarely listen to, do not attract the best skills, notably *"repats"* or *"returnees"*; they have no real influence on decisions concerning the facilitation of inter-African trade in low export sectors or sectors relatively unconcerned by large international groups.

Generally speaking, all production and industrial sectors could benefit from increasing capacities within the existing regional organisations. In the automotive industry, for example, the installation of a production plant in a lower-middle income country and for which regional customs agreements facilitate the trading of intermediary goods, promotes the expertise of small businesses in neighbouring low-income countries. The existing regional organisations, by facilitating the establishment of rules to limit the importation of second-hand cars in larger zones, would also simplify such installations. Countries such as the Ivory Coast are starting to take similar measures, banning second-hand cars above a certain age. There are a whole range of rules and laws that these organisations could create and implement if the member states had a little more willpower.

The AU could also act as a facilitator between these regional organisations and its member countries, by negotiating more skills transfers to these institutions, thus attracting more international assistance and more talents.

Relying on Institutions to Reinforce Regional and Continental Integration

Recommendation no. 7:

Defining a precise roadmap for the development of a strong continent to continent relationship between the African Union and the European Union, in which the latter could share its integration expertise acquired over the course of its 60-year existence. This roadmap could set out the framework for:

- stronger skills for the AU and the definition of its subsidiarity with respect to member states and regional organisations;
- strict application by all parties of regional rules on customs prices and on the free circulation of goods, people and capital within the African Continental Free Trade Area (AfCFTA);
- improving the capacity of existing regional bodies in priority sectors (agriculture, education, health, and regional infrastructures).

2.5. Professional training: the urgent need for investment for the future

Professional training comes up in all its forms throughout this report: training in the administrations, notably the tax and customs authorities, training for small farmers etc. Although training is an eminently transversal topic, it must be central to the Europe-Africa relationship. This is a strong demand from African countries (governments, companies, civil society organisations and individuals); Europe has this to offer, it should thus be promoted, intensified and targeted. Three dimensions could be explored.

2.5.1. Restore training to the heart of the financing effort

In 2017, only 9.8% of ODA from European institutions for Sub-Saharan Africa was devoted to education and health. In these areas, **professional training is largely marginalised.** The governments and their financial backers have spent the majority of education and training funding on developing basic education. They are right to do so: it forms the basis on which the rest is built, and notable success has been achieved in this area. As reported by AFD in January 2018,[61] *"in spite of strong demographic progression, Sub-Saharan Africa is still the region in which access to primary education made the fastest progress worldwide. Since 1999, African educational systems have doubled their capacities in the primary and secondary sectors".* Of course, the next challenge will be education quality and

[61] AFD, *L'éducation en Afrique subsaharienne, idées reçues* (Misconceptions on education in Sub-Saharan Africa), January 2018.

better access to education for girls.[62] In this area – as in many others – demographic growth instantly makes any school construction or teacher training effort insufficient.

Training must be placed at the centre of the European financial effort. It is an overriding need in the countries' appropriation of their economies and in the improvement of the business environment. An economic development strategy will only bear fruit if companies can find suitable labour for their needs locally. All cite training as one of the main challenges facing African countries and their companies. In a context in which governments and financial backers are encouraging entrepreneurship to enable the creation of jobs for some of the young people reaching the employment market, new formulae must also be found to assist the training of independent workers, notably in the informal sector, and to validate the experience and expertise developed therein.

2.5.2. Focussing projects on technical and professional training to improve both employability and company competitivity

Technical and professional training and its pertinence to market needs will be one of the major levers in creating sustainable small businesses, able to generate employment for young people in Africa. Due to school systems that tend not to promote apprenticeships and technical training courses (which is also true for France), young people reach the job market with no methodological or technical skills to make them operational in the work place. Certain training

[62] According to a PASEC study (PASEC2014 – *Performances du système éducatif ivoirien : Compétences et facteurs de réussite au primaire* (Performance of the education system in Ivory Coast: Skills and success factors in primary education). PASEC, CONFEMEN, Dakar, 2016) at the end of the primary cycle, less than half the pupils in Ivory Coast had acquired basic reading skills.

courses are completely lacking or only rarely proposed, even in sectors that are leaders of the economy. In Mali, for example, training in the mining sector is rare, although gold represents 75% of all the country's exports.[63] The situation is the same for training courses for women in the transformation of agricultural products. There are more women than men working in this employment-creating industry of the future: sadly, their training is only proposed by certain NGO initiatives. A complete inventory of all company needs is necessary to be able to define an ambitious technical training programme.

Companies recruit and often propose internal training programmes to compensate. This represents a substantial cost for them but is essential to their competitivity. It is something of a paradox on these employment markets dominated by unemployment: companies find it hard to recruit technical and scientific positions. Support by private companies for universities, in the form or funding for research chairs or the supply of equipment, is another interesting idea. One example, among many others, concerns the Siemens certification programme in mechanical and electronic engineering at DeKUT university in Kenya, in partnership with the country's leading energy firms (notably public enterprises). The lucky students are few in number (fewer than 100 students per year), whereas the market is actually in need of far more workers for these jobs of the future. Europe must encourage its companies to invest in local training *via* funding or their contact networks. This topic must be a systematic element of European company policies on the continent.

Private initiatives of this kind must be established in the long-term and up-scaled *via* public or hybrid funding for the structuring of

[63] *Jeune Afrique,* "Industries extractives au Mali : une filière en or massif" (Extraction industries in Mali: a massive gold industry), Georges Le Bec, 12 June 2018.

professional training. Company initiatives, however useful and commendable they be, must not be restricted to "private" training courses only available to a limited few. These funds, to ensure optimal efficiency, must comprise four main characteristics:

- Have stable, lasting resources: often, tax on professional training and apprenticeships is just an nth parafiscal resource for governments, which do not then spend the funds on what they were collected for. To be credible with respect to companies, the private sector's contribution should actually be spent on training and development of the skills required.

- Target key trades and sectors: as mentioned by AFD,[64] the fund organisations must move away from their role as a "counter" for occasional requests and work on implementing priorities (agriculture, technical trades, craft, etc.).

- Support the informal sector too, and agriculture in particular: although the informal sector represents a large proportion of the active population, the existing funds (such as FDFP in the Ivory Coast) focus on *"insiders",* i.e. those who already have access to formal employment. Voluntarist initiatives by public powers could reverse this trend: FAFPA in Mali, for example, spends 45% of its budget on training in the rural sector (often informal).[65]

[64] AFD, Financement de la formation professionnelle en Afrique (Financing professional training in Africal), by Richard Walther (ADEA), Christine Uhder (GRET) with the collaboration of François Doligez, Gilles Goldstein and Fréderic Bunge (IRAM), November 2014.

[65] *Financement de la formation professionnelle en Afrique* (Financing professional training in Africa), AFD, November 2014, by Richard Walther (ADEA), Christine Uhder (GRET) with the collaboration of François Doligez, Gilles Goldstein and Fréderic Bunge (IRAM).

- Be managed by the company-government-beneficiary trio, which develops the credibility of the institution and ensures good management thanks to mutual control.

As explained in Institut Montaigne's report *Are we ready for today's Africa?* (September 2017), most companies operating in Africa complain of **the lack of middle management.** There is a lack of training corresponding to college/university levels. The CIAN (French Council of Investors in Africa) is working on this problem with its "RH Excellence Afrique" programme on industry certification, after adapting the curricula to the specific needs of the consulted companies. This type of project takes time to set up and often relies on the determination of just a few people. Again, Africans and Europeans could agree to make this a priority for all EU Member States with respect to Africa.

Considering the number of young – and older – people to be trained, **digital technology will be essential.** Excellent quality MOOCs have been developed in recent years, adapted to the needs of the continent, for young people who are keen to learn. However, these MOOCs are not worth much unless they are accompanied by a certified training course, which is often expensive. Digital training courses will only be accessible to those who have been trained to use these tools, which is often not the case for most African households. This must be a priority for basic education, as it is in Europe. Companies such as *OpenClassrooms* develop certified programmes, notably for digital professions. They can be financed (access to a computer and internet, plus the cost of the course) by national employment agencies and often funded by existing financial backers, but again, this only concerns a small minority compared with current needs. Such agencies, often criticised by young people for being unable to offer short-term solutions, must be supported because they play an essential role in the employment of the future, bringing young people into contact with a market. Furthermore, private initiatives in association with local organisations propose training in digital professions, particularly for women, such as the Wo'Mixcity programme, which recently launched its "innovation marathon" in Dakar (April 2019), devoted exclusively to African women who innovate through digital solutions against climate change and in favour of the energy transition.

The concept of apprenticeship is only just taking root and yet the continent is overflowing with craftsmen and technicians, often in the information sector, whose skills could be lost without being passed on. Initiatives like France's Compagnons du Tour de France could be supported to encourage the qualification and recognition of these professions, as well as offering young people an opportunity to find out more about nearby cultures and create communities on a regional scale.

2.5.3. Training the diaspora and the elite, a vector of social cohesion

Training the elite is not usually identified as a difficulty. The elite has access (with varying degrees of difficulty) to the best training courses on the continent, in Europe, in North America and, increasingly, in emerging countries such as India and China. Unfortunately, these elites are often trained outside the continent. There are many excellent universities in Africa (Wits and many others in South Africa, University of Nairobi in Kenya, INPHB in the Ivory Coast to a lesser extent, international schools with branches in Morocco, Rwanda, Mauritius, etc.), and others that could be strengthened to offer young Africans a real choice within their own continent.

The risk of the elite disconnecting from their homelands is high. This is observed everywhere, in Europe as well as in Africa. Training that is more based on the problems of the countries in which these elites would like to live would enable them to come up with solutions adapted to local realities. The role that leadership and models can play in terms of ripple effects on a population's politics and economy should not be ignored. The elite should also be promoting better governance. The power of a good (or bad) example is so strong that the training of these elites and how they act in their professional environments represents a real challenge for African countries.

Finally, the diaspora, which is increasingly invested in the continent – even wanting to return for its professional experience – is also an important element of the training issue. It plays a major role. As indicated by the CIAN reports on African diasporas, published in January 2019, *"the funds sent by the diaspora represent three times more than the official development aid provided, and are more stable than foreign direct investments (FDI)."* Many people of the diaspora would like better traceability of the funds they send (health costs, schooling fees, etc.) *via* African or international operators (Wari, Western Union, Orange Money, etc.) or informally *via* solidarity networks. Some would also like to support Africa with entrepreneurial investments on the continent, regardless of whether or not they were born there. However, after spending several years, or even a lifetime abroad, the social codes, business environment and professional networks within the country often have to be entirely (re)built. Assistance and professionalism of diaspora associations in Europe is therefore a key element in the wise allocation of their funds (and personal energy) to sustainable, employment-creating projects that they can invest in personally if they want to. The example of the Efficience Africa Fund, created to channel funds from part of the French diaspora, is a good start. Europe must also get member countries of the AU to ensure better consideration and security of the diaspora's productive investments on the continent.

Investing More in Professional Training

Recommendation no. 8:

Allocating substantial European funding to training, notably technical (productivity for the agricultural sector, technicians for industry and the service sector) and instructor training. Allocating a large proportion of this funding to the professional training of women, who represent the majority of the workforce in high potential sectors (agricultural transformation, small shops), and to digital training to guarantee better access to information and enable the use of essential tools. Building joint skill reference systems for professional training in collaboration with African countries to encourage the acquisition and sharing of knowledge and dialogue, and to fulfil the specific needs identified for the country or market, in both the formal and informal sectors.

III

CLARIFYING THE FINANCIAL MODEL OF THE EU-AFRICA PARTNERSHIP

Unravelling the tangled web of financing

Specific tools exist for each major agreement governing the political, economic, and commercial relations with the African continent:

1. The European Neighbourhood Policy (ENP) defines the main instruments for the 16 countries concerned, including Eastern European countries, in their dealings with the Maghreb (Morocco, Algeria, Tunisia) and Mashrek countries (Libya and Egypt).

    a. The European Neighbourhood Instrument (ENI) ensures ENP aid funding. Its budget for 2014-2020 is €15.4 billion. Morocco and Egypt are the main beneficiaries, followed by Tunisia and Algeria. Tunisia also receives macro-financial assistance from the EU, another more marginal EU external aid policy instrument. The next instrument has an estimated budget of €22 billion.

    b. The FEMIP encompasses all the interventions of the European Investment Bank (EIB) to support the development of its Mediterranean partner countries. Since 2002, more than €19 billion have been invested in finance (notably in the form of loans, capital investment and guarantees) and in consulting services. Morocco and Egypt are the main beneficiaries.

2. For South Africa, the Trade, Development and Cooperation Agreement (TDCA) enables access to the Development Cooperation Instrument (DCI), as for Latin American countries, to the amount of €268 million in 2014-2020. The DCI also includes a €854 million pan-African segment to fund trans-regional and continental projects in Africa.

3. For the ACP countries, and notably the Sub-Saharan African countries, the European Development Fund (EDF) is the main vector for the EU's development aid. Launched in 1959, it has an aid budget of €30.5 billion for 2014-2020.

   a. **Particularities:** While the other instruments (ENI, DCI, etc.) come under section 4 of the overall EU budget, the EDF is currently excluded from the budget, being based on voluntary contributions, with Germany and France being the main contributors. The debate on whether to include the fund in the EU budget is ongoing. The aid provided by the EDF is notably characterised by the amount of budget support, the maintaining of sizeable reserves that are not allocated and can be used for emergency situations, and the possibility of financing security operations.

   b. **Breakdown:** The EDF is organised around four levels: i) national programmes (approximately 69%); ii) regional programmes (approximately 11%), notably support for regional integration and trade (APE assistance); iii) "all ACP" programmes (approximately 11%) including the contribution to the Global Fund to Fight Tuberculosis and Malaria, and the African Peace Facility (€2.7 billion since 2004); and iv) the investment facility (approximately 4%) with a loan-donation mix managed by the EIB. 91% of national and regional budgets are devoted to Sub-Saharan Africa.

c. **Focus sectors:** governance, sustainable agriculture & food safety and infrastructure for the 11th EDF.

d. The EU has gradually set up "innovative" mechanisms to which the EDF contributes.
   i. The EIB's investment facility (EDF resources and the EIB's own resources) for companies in the private sector and in the public goods sector. This includes a budget for impact investment.
   ii. The Bêkou Fund for the Central African Republic.
   iii. The Infrastructure Trust Fund (EU-AITF) of approximately €900 million, with a budget for transnational projects, renewal energy and energy efficiency projects (SE4AL).
   iv. The EU's Emergency Trust Fund (EUTF) for stability and addressing root causes of irregular migration and displaced persons in Africa, whose target zones include the Sahel region and the Lake Chad basin, two priority areas for France.

Public aid for private investment: the change of paradigm of the External Investment Plan (EIP)

The EIP adopted in 2017 reflects a major and welcome change of philosophy for European finance. While most European funding is directed to the public sector, the EIP is focussed on encouraging private investment on the continent, thus aligning its words (recognition of the essential role of the private sector in development) with its instruments. This is the "external" element of the Juncker plan deployed in EU countries to boost investment, and it aims to eliminate investment obstacles.

The EIP deploys guarantee and "blending" instruments to enable European donations and "loans" funded by the major development agencies and the financial institutions approved by the EU's Commission (AFD, Proparco – private sector subsidiary of AFD –, KfW – German equivalent of the AFD and CDC together –, BEI, BERD, FMO – Dutch equivalent of Proparco –, DEG – German equivalent of Proparco, subsidiary of KfW–, BAfD, etc.) to be combined for the same projects.

The EIP thus enables these accredited institutions to develop guarantee products and blending mechanisms that they would not have been able to fund with the support of the EIP. Companies have no direct access to the EIP; they must apply *via* these accredited institutions, which thus limits the visibility, rapidity and appropriation of these mechanisms by the beneficiary companies (notably small, medium and intermediate sized businesses).

The EIP is organised around three pillars:

1. The European Fund for Sustainable Development (EFSD) with i) an investment platform with a budget of €2.6 billion (from the EDF and from the EU–ENI and pan-African DCI) and ii) a guarantee fund with cash of €750 million for a total volume of up to €1.5 billion (from the EDF and the EU budget). The EFSD will have €4.1 billion by 2020, and should enable mobilisation of up to €44 billion in investment projects thanks to the leverage effect. Until now, the EFSD has been focussed on financing and programme guarantees for accredited institutions in the following five sectors ("windows" in European jargon): financing of micro, small and medium-sized enterprises; sustainable cities; renewable energies; sustainable agriculture, rural entrepreneurs and agroindustry; digitalisation for sustainable development.

2. **Technical assistance:** to assist the beneficiaries to draw up financially viable projects (notably preliminary feasibility studies) and to remove the obstacles to investment, thus helping to boost mobilisation of the private sector.

3. **Improving the business climate:** this pillar aims to develop structured dialogue with companies at national, sectorial, and strategic levels. It enables the promotion of projects to be financed (business forums), improvement of the regulatory environment and reinforcement of the capacities of Africa's private sector representatives.

3.1. Promoting an environment favourable to private investment: targeted technical assistance rather than budget support

Investment and job creation demand a healthy, stable business. Strengthening capacities is therefore important: it helps constitute better, more stable and more legible governance to increase the level of investment on the continent. The preponderance of budget support in the EDF has not prevented delayed withdrawals, the absence of monitoring, and requirements viewed as constraints rather than as a way of improving quality and indebtedness. The allocation of budget support and, more marginally, project aid, to countries whose governance is struggling to improve, has been strongly criticised by companies and civil society in both Europe and Africa.

More targeted technical assistance, provided in the form of donations, appears necessary to improve the business environment, provide correspondents with suitable training, improve governance, and – because this is also a challenge for Europe – ensure efficient influence. **This technical assistance must be oriented in particular to the private sector, notably to the African micro, small and medium-sized businesses** that will become the main employers in the long term.

Before such investments, these subsidies should be used more systematically to fund project development (notably preliminary feasibility studies). Some companies and investment funds do not wish to get involved in the development of slow, expensive projects in African regions. Only large corporations with enough resources to contend with months of lengthy negotiations can therefore invest.

The allocation of resources upstream, as IFC[66] can now do with Scaling Solar, its Public-Private Partnership (PPP) programme on solar energy, could be developed at the European scale, to include studies, advice and support with signing contracts in specific sectors with African parties.

However, technical assistance must be left to the administrations. This aspect has traditionally represented the core of technical assistance programmes. It is now essential that **it focusses on what constitutes obstacles to investment, i.e.:**

i) **Project implementation:** Technical assistance for implementation agencies (such as APIX in Senegal), by reinforcing capacities, is one area that could be favoured for the use of funds: identification of a credible stakeholder, technical and financial support, then acceleration of the stakeholder's move to a broader scale.

ii) **Harmonisation of legislation:** According to many companies, much effort has been made in recent years to adopt adequate legislation and regulations. However, it is important:

- To ensure the correct implementation and stability of such decisions, which is often problematic. Investment protection, the capacities of administrative correspondents to negotiate contracts, notably for PPPs, the stability of tax and customs practices and corruption are some of the most important subjects to be included in stronger partnership programmes.

[66] International Finance Corporation, subsidiary of the World Bank dedicated to private sector finance.

- To harmonise legislation and practices between the countries. For all companies, national African markets are often smaller than the critical size necessary to make the investment worthwhile (except for a small number of large countries such as Nigeria, South Africa, Algeria, Egypt, and Kenya). Homogenised practices would enable companies to envisage several markets at the same time more easily, without clocking up high entry costs in each new country, which is often insurmountable for a small African or European business. This implies considerable work on joint tax rules. Regional integration is far from complete in Africa, but some regions, such as SADC in the south, have made substantial progress and could serve as a guide for others. Europe could act as a facilitator in this matter.

A technical assistance policy, harmonised throughout Europe, would leverage the EU's financial power. In 2016, technical assistance represented just over 3% of the European Union's gross payments[67] as ODA declared to the DAC.[68] The EU's sizeable aid resources offer an opportunity to step up technical assistance in a context in which the ODA of Member States is subject to budget restrictions, increasingly geared towards multilateral projects or loans[69] (this is notably the case in France), instruments that are rarely used for technical assistance.

[67] OECD, *Development Co-operation report 2018 - Data and development,* 2019.

[68] The OECD's Development Aid Committee (DAC) is the authority that decides if the expenses reported can be considered as Official Development Aid (ODA). The DAC has 30 members: Australia, Canada, Iceland, Japan, Korea, New Zealand, Norway, Switzerland, USA, 20 EU Member States and the EU.

[69] OECD, *Development Co-operation report 2018 - Data and development,* 2019. Most countries dispense ODA in the form of donations, but concessional loans are becoming more popular, increasing from 10% of gross bilateral ODA of DAC member countries in 2005 to 16% in 2015. For some donors, these loans represent a major proportion of their bilateral ODA: France (45%), Poland (44%), Portugal (27%) and Germany (23%) for the European Union countries. The ODA of DAC member countries (i.e. not just EU Member States) for multilateral organisations represented 40% of ODA in 216, compared with 37% in 2010.

Although GIZ, Germany's international cooperation agency for development, has large resources for subsidies in the deployment of its operational €2.6 billion with more than 19,000 employees, including 13,000 locally,[70] this is not the case for most bilateral technical agencies. For example, Expertise France[71] struggles to reach an annual €150 million in activity and depends on European funding for 44%,[72] applying a commercial model of responding to invitations to tender or private agreements. Additional resources devoted to technical assistance would enable these national European agencies or the EU itself to deploy more influence, more efficiency and more monitoring to measure its impact. More financial resources, more coherence and more visibility: there would be many benefits to harmonising the technical assistance policy on the European scale. Reinforcing the European "Practionners' Network[73]", comprising 15 Member State cooperation agencies, would be a first step towards a harmonised policy, based on existing national strengths.

Deploying Efficient and Targeted Technical Assistance

Recommendation no. 9:

Redirecting and reinforcing a standardised technical assistance from the EU to the private sector and improving the business environment, by setting up mixed European-African teams to prevent cultural bias that could hinder the implementation of good practices.

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[70] GIZ, *Integrated Company Report, Working Together for Change,* 2017.

[71] Expertise France was founded in 2015 by merging six public operators: the public establishment, France Expertise Internationale and the Economic Interest Grouping GIP Esther (health), GIP Inter, GIP SPSI, ADECRI and Adetef (economy and finance). In 2018, the government decided to integrate Expertise France into a larger AFD group by the end of 2019.

[72] *Expertise France, Bilan et Perspectives 2017* (2017 report and outlook).

[73] The Practitioners' Network for European Development Cooperation, founded in 2007, is a platform for exchange, coordination and harmonisation between the organisations of Member States that directly implement European or bilateral development aid. It currently has 15 members, and is supervised by the European Commission.

3.2. Amplify financing for the private sector by making the instruments more flexible

It must be admitted that the EU could do better on the topic of financing the private sector. The Addis-Abeba action programme adopted in 2015 highlighted the role of the private sector – alongside topics such as debt sustainability and the mobilisation of domestic resources – for financing development. However, apart from the funds implemented by the EIB and the launch of the EFSD, few are designed for the private sector.

The EIP is an excellent instrument but it must be amplified, deployed more quickly and by more parties. At present, companies wanting to benefit from the EIP must contact an eligible financial institution (such as AFD, Proparco, KfW, BEI, BERD, FMO, DEG, BAD, etc.). After a fastidious process, those that manage to get their project validated – a guarantee for an infrastructure project or a subsidised loan for a small business, for example – must then wait for validation from the EU. The certified financial institutions then apply to the EU for subsidies that are not – or no longer – available in their national supervisory authorities. These national agencies must accelerate and simplify their own procedures to avoid situations in which it takes twice as long to examine company projects. **European and African companies complain that the processes are too slow with regard to the colossal requirements that can no longer be put off.**

Private sector financing is still too centred in Europe and would benefit from being available to the African continent too. Although the national and regional EDF programmes are co-constructed locally in EU delegations, there is little consultation with the private sector in Europe and even less in Africa in terms of choice of sector, types of instrument, etc. This makes it difficult to ensure that the available financing is visible and accessible to the companies that are supposed to implement it. Brussels is the negotiation site for the EIP, but more decentralisation in beneficiary countries, notable *via* EU delegations, would make it easier to take practical realities into account.

The biggest criticism is that the procedures to obtain project financing from the EU are too slow. This period is long – too long according to both Africans and Europeans – due to excessive bureaucracy: it is one of Europe's main weaknesses in Africa. Compared with emerging countries – China in first place – Europe is like a sleeping beauty. After six years of discussion with the Europeans to attempt to build a train between Djibouti and Addis Abeba, no "European" train ever came to be, while China took just two years to install the track and run its first train. Obviously there is debt involved and both contract allocation and specification are less than transparent, but the fact remains: the train exists at last.

Supporting the Private Sector, and SMEs as a Priority

Recommendation no. 10:
Facilitating access to European finance instruments for European and African SMEs by offering them simpler access. Accelerating the deployment of the EU External Investment Plan. Creating European chambers of commerce in African countries responsible for facilitating the dialogue between European and African companies and for sharing information on European financing schemes, in collaboration with EU delegations.

These European chambers would be specifically devoted to the construction of a strong relationship with (future) "African champions", encouraging them to organise themselves into representative entities.

They could also be responsible for identifying African entrepreneurs of the future, so that they might have access to financing sources from the earliest stages of their company projects. At the same time, the EU could create a digital platform – initiated by professionals including expert lawyers, funds for Africa, diaspora associations, etc. – to ensure the due diligence of potential partners on the African continent. The objective is to improve access to economic and market information on the continent to enable newcomers, micro, small and medium-sized businesses from Europe to take the plunge and set about building long-term partnerships with their African counterparts.

3.3. Implementing instruments that require less budget and are able to generate a leverage effect: good use of blended finance to provide impact

Development aid (ODA) contributions should be measured in terms of "ripple effects" and impact, rather than as a percentage of GDP (Gross Domestic Product). In 1970, most of members of the OECD's Development Aid Committee promised to spend 0.7 % of their GDP on official development aid. In Europe, only Sweden, Norway, Luxembourg, Denmark, the UK in certain years and the Netherlands until 2012 actually did. France has oscillated between 0.3 % and 0.49 % since 2000, with the objective announced by Emmanuel Macron of 0.55 % by 2022.

This objective, however symbolic, is detrimental to the efficiency of public policies if they are directed and assessed on the amounts promised and paid, rather than on project impact. Billions, sometimes not actually used in practice because of difficulties related to the construction of "good projects" in particular, which result in misunderstanding by African populations, at best, and serious deterioration of the image of the EU and its Member States, at worst. The EU appears to have recognised this communication failure and has boosted these indicators for the EIP, announcing private sector mobilisation objectives (11-fold lever effect). A new method for measuring official development aid contributions must be defined, not only in terms of the amounts promised and disbursed or GDP percentages, but according to their impact in the field (in terms of SDGs) and the capacity to mobilise private stakeholders, and showcasing significant examples for the populations.

To achieve this goal, less budget-consuming instruments must be developed to reduce the real or perceived risks of investors. Guarantees, subordinated loans, first loss mechanisms: instruments that enable the mobilisation of investors, including newcomers, to new asset categories in African countries, while reducing the budget for such support for the finance-providing states. Such initiatives already exist: Proparco's Ariz guarantee, which helps local banks to provide financing to small businesses, third party account management by the FMO, the MCPP Infrastructure proposed by the IFC (World Bank subsidiary), which syndicates funds from insurance firms to invest in infrastructure projects identified by the IFC.

Blended finance initiatives, combining public resources and private third party mobilisation, **must be multiplied and reinforced as they are incomplete.** The EU can develop these mechanisms thanks to its financial power throughout the project life cycle, making sure that these instruments target the right impacts: demonstration effect on private investments with a long-term commercial potential, fair sharing of risks and better penetration of financing solutions on the continent. Obviously market distortion must be avoided. A World Economic Forum (WEF) report in April 2019,*From Funding to Financing,* points out the need to take "blended finance" practices and schemes one step further.

Acculturation of these mechanisms must be enhanced to adopt an overall approach to project financing and the adequate level of risk. This consists in the right dose of public, private, local, and international resources to define policies then reforms, and finally, a pipeline of projects that correspond to the countries' SDG strategy. This last point is often lacking. This same WEF report favours a "country" approach, starting with the needs of the territory and built locally. The operators implementing these combined instruments (IFC, FMO, Proparco, etc.) often focus on flagship operations in strong currencies, ignoring the wide consideration of ripple effects on economies and on development. In addition to these necessary flagship operations, these instruments should be increasingly directed to the most fragile countries, to local currency financing, flexible debt, and junior transactions or equity capital for innovative models for companies or project proposals. Once again, the capacity of these institutions to take more risks – which is a recurrent criticism from the Africans – and to adopt an upstream position on the actual definition of projects is crucial.

Increasingly Resorting to Blended Finance

Recommendation no. 11:
Increasing and targeting the use of blended finance – combining public and private resources – for the upstream design of projects, local currency financing, and the most risky projects often excluded from this type of financing despite their potentially tremendous ripple effects on the economy. Measuring and favouring the leverage effect on the market and the ripple effect on growth and development as impact criteria.

3.4. Ensuring visibility of the partnership in the field: diversification of beneficiaries and "small tickets"

EDF financing has been criticised for concentrating its support directly on governments, *via* direct budget support that is difficult to trace, favouring corruption and having a limited impact in the field. This perception, regardless of the actual situation, is particularly strong within African business environments and civil societies. While direct budget support can be useful and necessary, it is important to associate African intermediaries in the comprehension and precise traceability of the funds. If not, rather than fading, this criticism will consolidate a serious disbelief in the EU's action in Africa.

The multiplication of funds has made European financing solutions difficult to understand and has increased management costs. The trust funds developed for the 11th EDF were supposed to respond to demands for rapid, flexible solutions. This is true for the Africa Peace Facility (APF) created in 2004 and the EU Emergency Trust Fund (EUTF) for "stability and addressing root causes of irregular migration and displaced persons in Africa" founded in 2015.[74] Nevertheless, they have significantly weakened the partnership dimension with African states with a programme defined in Brussels, as pointed out by the French Court of Auditors in its January 2018 report.

[74] French Court of Auditors, procedure no. S2018-0016, *La contribution de la France au Fonds européen de développement (FED)- exercices 2008 à 2016* (France's contribution to the European Development Fund (EDF) - financial years 2008-2016), 18 January 2018.

However, it is in the field, in close contact with the populations, that the sustainable development battle is being fought. It can be counter-productive to count on a single player, the State, often barely legitimate in the eyes of the population due to a cruel lack of success and to the dilapidation of resources having led certain sectors and territories to be abandoned. Today, all parties are important to accelerate development in Africa. With the objective of creating 400 million jobs by 2050, no State will be able to act alone. Mistrust of the State is a global trend, and Africa is no exception to political criticism, far from it.

However, Europe should still identify new players, who are already active on the continent. This effort could be directed at the younger generations (15-25 year olds), to train them in good project or company management techniques. Although everyone acknowledges the need to restore balance to recipients other than the States, a reliable, credible cartography, as broad as possible, is still necessary to identify even the smallest project proposals.

This will probably also involve more delegation of funds to Member States' agencies, which are supposed to have a denser network of partners in the field. So far, less than 5% of European funds are delegated to Member State organisations, while 30%[75] are delegated to international organisations with high structural costs and less ability to propose "small tickets" (for subsidies, debts or equity capital).

These small tickets for cultural associations, project proposals or companies are only possible if management costs are low, which

[75] *Ibid.*

implies slim, well-governed structures. **Investing in subsidies to professionalise civil society and small businesses (support structures for companies, local authorities, small businesses, associations, etc.)** wwould then make it possible to rely on these new actors to deploy financing at ground level. The objective is to develop these small projects, expanding them to a larger scale, to become small and medium-sized businesses. Once again, a dogmatic approach, resulting in the consideration of only the most established players and ignoring the economic contribution of a wide variety of other players, including in the informal sector, would be harmful and counter-productive. This could also be a means of continuing to further support the development of a strong, politically-independent civil society that could play its role in holding the authorities to account, without bias. The emphasis must be placed more on training to enable this society to play its true role in a democracy, and become the mediator of citizens' ambitions.

Developing Tomorrow's Field Actors and Project Owners

Recommendation no. 12:

Mapping, structuring, and coordinating a network of new economic, political, and cultural players in Africa. Enhancing the financial effort devoted to strengthening the organisations, skills and governance of these structures.

3.5. Reinforcing the local financial system to finance small businesses in Africa

It is also important **to try to reinforce and rearm local financial systems.** The rate of banking on the continent does not exceed 20%,[76] and 80%[77] of Africa's small businesses experience financing difficulties in largely informal economies.

The first battle concerns the access by small businesses to bank loans. Small businesses face bank demands for high guarantees (collateral, mortgage, escrow account) in a context where such solutions are costly and land tenure is not always clear. Most initiatives seek solutions in this area, such as portfolio guarantee products, like Proparco's Ariz or Sunref (for energy efficiency loans) or local bank loans at attractive market conditions, thus facilitating, in principle, the investment of small businesses on the market. The accountability of these banks and proof of better access for small businesses to the banking market **must be verified systematically by financial backers.**

Furthermore, **additional support must be given to the banks and banking cooperatives that have widespread territorial presence** and are in contact with customers considered risky (informal, rural environment, women, etc.). In the long run, public banks may see the day and fulfil this role. European funds could support such initiatives, which demand a high level of assistance from the States and solid risk analysis skills.

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[76] *Jeune Afrique,* "Bancarisation : la rentabilité ne se mesure pas à court terme" (Banking: profitability is not measured in the short-term), Rémy Darras, 15 November 2017.

[77] *La Tribune Afrique,* "Financement : $331 Mds pour accompagner les PME africaines" (Financing: $331 billion to assist Africa's small businesses), Sylvain Vidzraku, 6 November 2018

Finally, **Europe and Africa could invent together** innovative solutions for both Africa and Europe alike:

- Use digital technologies could, together, invent to **develop new risk analysis methods** for informal companies and new sectors, based on criteria other than financial indicators, to be defined in collaboration with the parties most concerned. The quality of loan repayment is not immediately visible by a banker because his risk assessment is based on Western criteria that do not apply to Africa. The EU could set up a large guarantee fund to assist both new online banks and traditional banks showing initiative in this area. These new credit risk evaluation methods would reduce the asymmetrical nature of the information, helping to lower the fixed cost of a bank investigating a new sector. For example, the micro-financing institution Advans has set up a cocoa credit system to finance schooling for children, thanks to fund traceability *via* mobile phones.

- **Develop the capital market by gradually eliminating investment obstacles.** This requires guarantees in terms of investor protection and financial stability.

- **Promote the opening of capital enabling skills development and the growth of small businesses** *via* private equity.

The development of these new instruments implies the existence of solid relays with low overheads to ensure the intermediation of European funds. The EU already supplies a network of private equity funds and specific banks: the challenge is to attract/create new ones, able to go further in the identification of new players to generate employment and impact in all territories. For small tickets[78] and innovative products, knowledge of the local market is fundamental and investigation costs must be kept as low as possible. The EU and Africa have a joint advantage in developing trained "intermediaries": local investment funds, cooperative banks, microfinance organisations, online banks. The EU could implement capacity reinforcement and an audit to ensure the good management and processes of these "financial intermediaries" before delegating the use of funds. The delegation of funds implies strict requirements in terms of market penetration, financial inclusion of micro, small and medium-sized businesses. Local investment funds created and supported by Investisseurs et Partenaires (Comoé Capital, Miarakap in Madagascar, Sinergi in Niger and Burkina Faso) are relays that could be consolidated and duplicated.

Once again, Europe's commitment must be planned for the long term. New development relays and players can be created quickly if Africa and Europe work together. This phase could incorporate the financing of pilots and warm-up phases for particularly high-risk projects. Africa has high expectations of what Europe could do in this area, but Europe will also be judged on its ability to act quickly.

[78] Here, "small tickets" means anything that cannot be addressed directly by European financing institutions, i.e. roughly <€5 M in debt or capital. The <€1 M segment still concerns a large number of players and demands denser coverage by intermediaries.

CONCLUSION

Although Africa does not appear to have mobilised much energy in Europe over the past two decades, recent events have helped raised awareness. Migratory flows, notably in 2015, have, for whatever reason, opened the eyes of Eastern European countries as to the situation in Africa. The scandal of shackled Sub-Saharan migrants being sold on “slave markets” in Libya has at least triggered a reaction from Europe and resulted in Africa proposing solutions.

The need to find a framework agreement between the EU and the African continent has never been as strong among the 28 Member States. However, it is important to fight the right battles and not make Africa a scapegoat for Europe’s weaknesses, nor to make Europe a holding pen for Africa’s problems. Nothing would be worse than scaremongering concerning demographic development on the African continent, pockets of insecurity, notably in the Sahel, or declining growth in certain areas, at a time when the ambitious goal of creating a new alliance between Europe and Africa is under discussion. Words must not ring hollow, but indicate a path, a shared direction. Europe and Africa have a shared interest in developing strong relations, on both positive and negative subjects.

Over the past twenty years, the African continent has all too rarely been a subject of discussion among European heads of state and governments, meeting in Brussels or Strasbourg. Putting Africa on the agenda of EU meetings of heads of state and governments on a regular basis would enable discussion of the challenges and opportunities at the highest level.

Europe has ceased to be a dream for Africans. If we are not careful, it might even be seen as an ageing and closed continent, while in

Europe, Africa is often seen as a threat. Yet there really is a shared destiny for Europe and Africa: one that will take a lot of energy, innovation, and collective intelligence to build together. Unlike what many EU critics would have us believe, the desire for Europe is still present in Africa. A reciprocal relationship would imply that a true desire for Africa be built in Europe in all areas, be they artistic, intellectual, sporting, economic, or innovative. Viewing Africa as multi-faceted and rich, while remaining aware of its many differences, would change the way Europe sees Africa, and vice versa.

The twelve recommendations proposed herein will require, first and foremost, a shared political ambition, both within the EU and its Member States and within the AU and its Member States. Each party must take a step towards the other, on the strength of its shared values, challenges, and ambitions.

The new partnership between Europe and Africa would be a strong example of what two continents could achieve together. For 500 million Europeans and over a billion Africans, both Europe and Africa have every advantage in succeeding.

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APSA:	African Peace and Security Architecture.
ACP:	Africa-Caribbean-Pacific.
ALSF:	African Legal Support Facility.
ODA:	Official Development Aid.
ADB:	African Development Bank.
AfCFTA:	African Continental Free Trade Area.
ATAF:	African Tax Administration Forum.
AU:	African Union.
BEPS:	Base Erosion and Profit Shifting.
CCI:	Creative and Cultural Industries.
CDC:	British Development Fund.
CEMAC:	Economic and Monetary Community of Central Africa.
CIAN:	French Council for Investors in Africa.
DAC:	Development Aid Committee.
DEG:	Deutsche Investitions und Entwicklungsgesellschaft (German development bank, subsidiary of KwF).
EAC:	East Africa Community.
EBRD:	European Bank for Reconstruction and Development.
ECOWAS:	Economic Community of West African States.
EDF:	European Development Fund.
EEC:	European Economic Community.
EIB:	European Investment Bank.
EPA:	Economic Partnership Agreement.
EU:	European Union.

EUTF:	EU Emergency Trust Fund.
FAO:	United Nations Food and Agriculture Organisation.
FDI:	Foreign Direct Investments.
FGIS (Gabon):	Gabonese Fund for Strategic Investments
FMO:	Financierings-Maatschappij voor Ontwikkelingslanden (Dutch development financing firm).
GIZ (Germany):	Gesellschaft für Internationale Zusammenarbeit (German international development cooperation agency).
GSP:	Generalised System of Preferences.
IBRD:	International Bank for Reconstruction and Development.
ICC:	International Criminal Court.
IFC:	International Finance Corporation.
INED:	French Institute for Demographic Studies.
IPDC: (Ethiopia)	Industrial Parks Development Corporation of Ethiopia.
KfW:	Kreditanstalt für Wiederaufbau (German public investment bank for development).
MDG:	Millennium Development Goals.
MOOC:	Massive Open Online Course.
NDICI:	Neighbourhood, Development and International Cooperation Instrument.
OAU:	Organisation of African Unity.
PADERCA:	Casamance rural development support project.
SADC:	South African Development Community.

SEZ: Special Economic Zone.

UEMOA: West African Economic and Monetary Union.

UNCTAD: United Nations Conference on Trade and Development.

UNDP: United Nations Development Programme.

UNIDO: United Nations Industrial Development Organisation.

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Task force members

- **Dalila Berritane,** Founder & CEO, Nedjma Consulting
- **Thierry Déau,** President, Meridiam
- **Jean-Michel Huet,** Partner, BearingPoint
- **Larabi Jaïdi,** Senior Fellow, Policy Center for the New South
- **Dominique Lafont,** CEO, Lafont Africa Corporation
- **Frannie Léautier,** COO, Trade & Development Bank
- **Alain Le Roy,** French Ambassador, former Secretary-General of the European External Action Service
- **Antoine de Saint-Affrique,** CEO, Barry Callebaut
- **Georges Serre,** Institutional relations, CMA CGM

Rapporteurs

- **Lucie Cogino**
- **Awa Dé,** Policy Expert, Banque de France
- **Mahaut de Fougières,** Policy Officer, Institut Montaigne
- **Ludovic Morinière,** Africa and International Development Director, BearingPoint

As well as

- **Waël Abdallah,** Policy Officer Assistant, Institut Montaigne
- **François Jolys,** Policy Officer Assistant, Institut Montaigne

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- **Ibrahim Assane Mayaki,** CEO, ADUA-NEPAD
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- **Mossadeck Bally,** CEO, Azalaï Hotels
- **Dolika Banda,** CEO, African Risk Capacity
- **Chakib Benmoussa,** Ambassador of Morocco in France
- **Christian Bevc,** Head of Infrastructure, KfW IPEX
- **Pascal Blanchard,** Researcher at the Communication and Policy Laboratory (CNRS) and co-director of the Achac Research Group
- **Khaldoun Bouacida,** Managing Director and Country Cluster Head Northwest Africa, BASF
- **Alexandre Boudet,** Project Manager Africa, MEDEF International
- **Deborah Brautigam,** Director of the SAIS China Africa Research Initiative, Johns Hopkins School of Advanced International Studies (SAIS)
- **Sophie Burel,** Deputy Director of Public Affairs, Renault
- **Guillaume Chabert,** Chef Head of the Multilateral Affairs and Development Department, Direction Générale du Trésor
- **Grégoire Chauvière Le Drian,** Advisor to the Vice-President, European Investment Bank

- **Sarga Antoine Coulibaly**
- **Muriel Dubois,** Head of Development - Africa, SciencesPo Executive Education
- **Robert Dussey,** Minister of Foreign Affairs of Togo, ACP Chief Negotiator - Cotonou 2020
- **Ambroise Fayolle,** Vice-President, European Investment Bank
- **Louise Fresco,** President of the Wageningen University and Research Executive Board
- **Sandrine Gaudin,** Secretary-General, General Secretariat for European Affairs
- **Philippe Gautier,** Managing Director, MEDEF International
- **Etienne Giros,** Deputy Chairman, CIAN
- **Stephan-Eloïse Gras,** Head of Strategic Partnerships - Africa, OpenClassrooms
- **Jean-Louis Guigou,** President, IPEMED
- **Jaouad Hamri,** President of the Ethics and Good Governance Commission, General Confederation of Moroccan Enterprises
- **François Héran,** Professor, Collège de France
- **Mohamed Laâziz Kadiri,** Chairman of the Economic Diplomacy Commission, Africa and South-South, General Confederation of Moroccan Enterprises
- **Anne-Elvire Kormann-Esmel,** Programs Coordinator & Advocacy Lead, AfroChampions
- **Philippe Labonne,** Deputy CEO, Bolloré
- **Patrick Lawson,** Deputy Head of Concessions, Bolloré
- **Faïcal Leamari,** Executive Director Group Capital Markets, Attijariwafa Bank
- **Camille Le Coz,** Policy Analyst, Migration Policy Institute Europe

- **Thibault Le Gonidec,** External Relations Advisor, European and Foreign Affairs Ministry
- **Carlos Lopes,** High Representative of the African Union in charge of Partnerships with Europe
- **Stefano Manservisi,** Director General for International Cooperation and Development, European Commission
- **Rémi Maréchaux,** Head of Africa and Indian Ocean, European and Foreign Affairs Ministry
- **Amine Marrat,** Head of Strategy and Chief Economist, Attijariwafa Bank
- **Nicolas Martin,** CEO E-commerce, Jumia
- **Kabirou Mbodje,** CEO, WARI
- **Yvonne Mburu,** CEO, Nexakili, Member of the Presidential Council for Africa
- **Aïchatou Mindaoudou,** Former Minister of Foreign Affairs of Niger, Former Special Representative of the Secretary General of the United Nations in Côte d'Ivoire, CEO Ipiti Consulting
- **Elisabeth Moreno,** Vice President and Managing Director HP Africa
- **Faycal Mouaci,** Director, VAMED Projets Hospitaliers Internationaux France
- **Uwe Mueller,** Director for Ports, Airports, Social Infrastructure, KfW IPEX
- **Dominique Musset,** Business Development Director for the Africa, Middle East, India and Pacific Region, Renault
- **Emmanuel Okalany,** Technical Specialist for Development and Partnership, RUFORUM
- **Akotchayé Okio,** Development Officer - Africa, SACEM
- **Dr Gilles Olakounlé Yabi,** Founder, WATHI

- **Talal Ouazzani,** Head of Group Syndication, Attijariwafa Bank
- **Franck Paris,** Advisor on Africa, Présidence de la République
- **Christophe Parisot,** Deputy Director of EU External Relations, European and Foreign Affairs Ministry
- **Eric Pignot,** CEO Enko Education
- **Jean-Michel Ristori,** Head of International Development, Egis
- **Rémy Rioux,** Managing Director, AFD
- **Stéphanie Rivoal,** Ambassador, Secretary-General of the Africa-France 2020 Summit
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THERE IS NO DESIRE MORE NATURAL THAN THE DESIRE FOR KNOWLEDGE

Europe-Africa: A Special Partnership

With the impending expiry of the Cotonou Agreement - in February 2020 - Europe and Africa need to consider the relationship they wish to have for the next 20 years. While the context has profoundly evolved since 2000 and the European Union and Africa are linked by multiple common challenges and interests, a strong and renewed partnership between the two continents must be established. It must focus on the Sustainable Development Goals and be based on better mutual knowledge, with the ultimate objective of creating jobs in Africa.

This vision must be anchored in five priorities: the business environment, industrialization and integration into the global economy, taxation, regional integration, and professional training. While the European Union commits significant resources and mobilizes a wide range of tools, its action suffers from a lack of visibility, clarity and effectiveness. In order to maximize its impact, Europe should promote technical assistance rather than budget support, direct its actions towards the European and African private sector - SMEs in particular -, and measure its contribution in terms of the leverage effect generated rather than the amounts committed.

Institut Montaigne
59, rue La Boétie - 75008 Paris
Tél. +33 (0)1 53 89 05 60 - www.institutmontaigne.org

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