

EU-Med-Africa relations: A new start?

#CEPSlab21

LAB SESSION / LIVESTREAM
04 JUNE / 3.30 PM - 5 PM

Speakers:

Sandra Kramer, Director – EU-AU relations, West and East Africa, European Commission

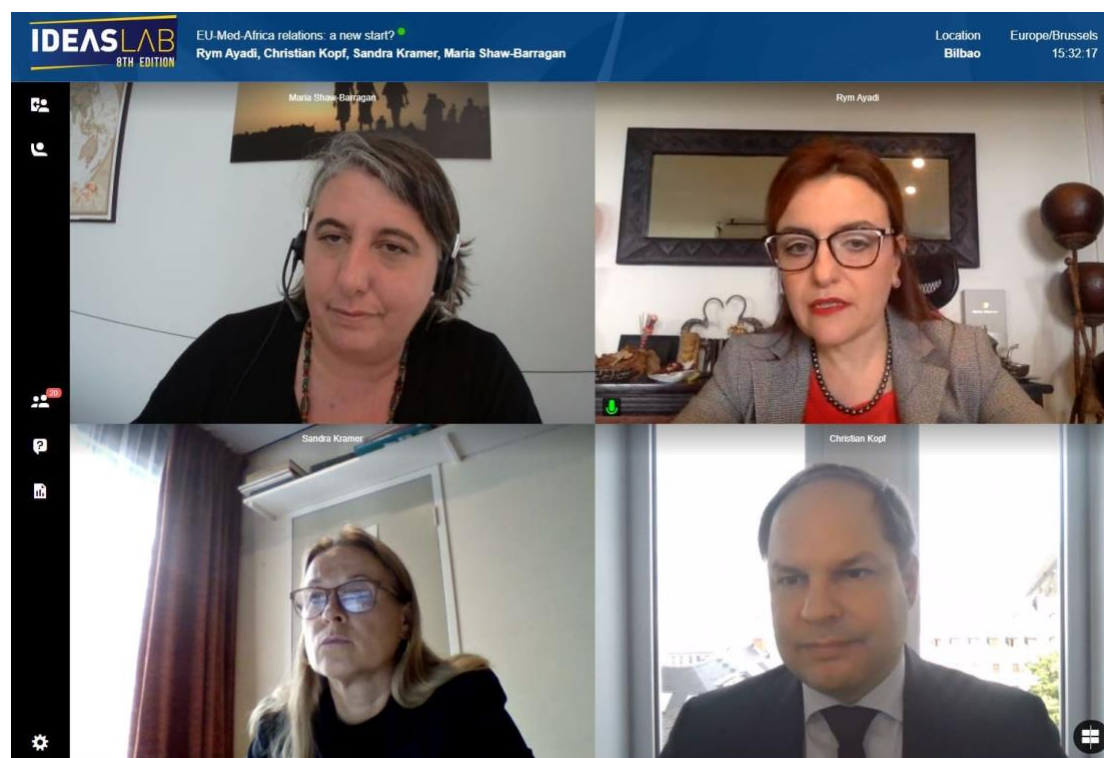
Maria Shaw-Barragan, Director, Global Partners Department Operations in Africa, Caribbean, Pacific, Asia and Latin American, European Investment Bank

Christian Kopf, Managing Director, Union Investment Privatfonds GmbH

Rym Ayadi (*moderator*) Founder and President, the Euro-Mediterranean Economists Association (EMEA) and Senior Advisor, EMEA

Rapporteur: Sara Ronco, Researcher, EMEA

EU-MED-AFRICA RELATIONS: A NEW START?



Prof. Rym Ayadi

Professor Rym Ayadi started with a brief introduction to the panel, recalling the most significant milestones in the EU-Africa partnership during recent decades. In particular, she mentioned: the new comprehensive strategy with Africa, proposed by the Commission in March 2020; the new agenda for the Mediterranean, proposed by the Commission in February 2021; and the agreement reached by the EU and OACP countries for a new post-Cotonou partnership between the two groups of states, published in April 2021. She also covered some recent, critical EU developments: the new single instrument for financing development, the NDICI, and the renewed Directorate General in charge of development and cooperation, DG INTPA or Global Europe. Since 2007, the European Union has had vast experience in blending facilities, with the EU Africa Infrastructure Trust Fund and the Neighbourhood Investment Facility. In 2016, The External Investment Plan particularly encouraged investment in Africa. She also remembered other instruments, based on the European Fund for Sustainable Development (EFSD+), that would become one of the main instruments of EU cooperation with partner countries. She said that many changes are happening (i.e., digital transition, green transition) and that the EU highlights the importance of international partnership in building a more central role for the EU in the global fight against poverty and the promotion of SDGs.

COVID-19 brought further challenges to the already complex international arena. The Southern Neighbourhood and Africa were poorly prepared for facing the pandemic, which hampered their capability to create a resilient path for growth and development. She raised some questions: Is this challenging new context in which we live moving towards the completion of EU financing development based on this type of guaranteed lending instruments? And who will be the partners in the target countries? Who would monitor these new developments? Africa is not one homogeneous group; there are different countries (i.e., lower-income countries and fragile states) that need much more development and, most

EU-MED-AFRICA RELATIONS: A NEW START?

probably, they might not be ready for this change of approach. Furthermore, many frameworks operating in Africa might need further coordination between the institutions themselves, with all the institutions dealing with the EU across the continent as well as with international corporations. She concluded by introducing the panellists.

Ms. Sandra Kramer

She started by thanking CEPS for organizing the panel and regretted the absence of African counterparts in the discussion. She recalled the recent merger of the two African directors into one (in the Commission) and she said she was glad to be responsible for all of Sub-Saharan Africa. She stressed the importance of the actual geopolitical Commission attributed to the African continent, which is defined as a strategic priority. There is a need for Europe to be more assertive in this world. The Commission stressed its willingness to understand whether the EU can make it more strategic, more value-added, more effective, and more in line with European policy priorities. She also saw a world that is increasingly complex and where there are, indeed, increasingly competing models. She said that Europe stands for its values: democracy, the rule of law, human rights. She underlined that the EU puts sustainability at the heart of its actions, focussing on the environment and decent jobs for people in partner countries, somewhat differently from other partners. She stressed that the Commission aims at building true partnership that goes beyond donor-recipient relations. The new DG INTPA, or Global Europe, is adopting a "policy-first" approach led by green transition, responsible digitalisation, the creation of jobs and education, in alignment with the policy priorities of this European Commission. Global Europe is structured so that most of the funding is "geographised", co-creating working, with constant exchange with the whole Commission and with the Member States.

She mentioned Team Europe, stressing the fact that the EU is adopting a new way of co-creation. She said that the new NDICI instrument takes 8, 9 or 10 budget lines and condenses them into one; furthermore, it does not make a distinction between Sub-Saharan Africa and North Africa, which was the case in the past. The new instrument also provides a cushion that can be used in case of need. She said that the new tool enhances transparency and democratic scrutiny. It is no longer outside the budget, like the European Development Fund. The programming will be done by looking at national and regional priorities, looking at what the EU wants to do in these countries and using blending and guarantees. The EU Commission is working closely with the EIB and many other institutes to enhance blending and connections with the private sector. She stressed that ODA alone is not sufficient for enhancing development, for which FDI and remittances play a significant role, together with domestic resources that need to be enhanced. She recalled the importance of improving the vaccine rollout in Africa. The EU and its Member States founded COVAX. The EU was present during the global health summit and produced a lot of vaccines throughout the world. But she highlighted that there were still certain defects in the sharing mechanism. The Commission is looking at improving manufacturing and hoping to enhance manufacturing in sub-Saharan Africa (not for now, but for the next pandemic). She concluded by saying that, in many ways, this is a new start. The Commission is moving towards the EU-AU summit, which will take place in early 2022 – hopefully physically in Brussels - and looking forward to making an investment package as suggested by the European Council, with young people, women and education as cross-cutting dimensions, with the focus on fragile countries.

Ms. Maria Shaw-Barragan

She started by recalling the role of the EIB as the Bank of the EU. Since 1963, EU Member States decided that the EIB should have an external dimension, working in the Africa Caribbean Pacific region and then in the Southern neighbourhood. The EIB mobilised between EUR 12 and 15 billion of investments in Africa (they mobilised EUR 5 billion in lending, financing no more than 50% of each project's costs). She stressed that, differently from other financial institutes, the EIB only has the EU Member States amongst its shareholders, which entirely follow the EU's priorities and policies. The EIB is aligned with the EU in pursuing SDG 5 on gender equality, in all its initiatives, looking at the impact on women and girls and ensuring that it has a distinctly positive impact for women. The EIB undertakes social and environmental analysis of each project, setting high standards that, in some, cases has led to the bank refusing to finance specific projects (they have just launched a public consultation on the review of EIB environmental and social standards). She stressed that being the EU's bank means being the 'climate bank' because climate is a priority for the European Union and a top driver of policies inside the EU. Climate is also a global issue, so it is a leading driver in activity outside the Union (i.e., the Green Deal for Africa). At the end of 2019, the EIB board decided to increase their climate and environmental commitment. Since the 1st of January 2021, the EIB has acted in complete alignment with the Paris Agreement, meaning no fossil fuels and their projects are screened against climate risks. The EIB committed, by 2025, to having 50% of their financing dedicated to climate action and environmental sustainability (with the other 50% already fully aligned with Paris). The EIB is also committed, by 2030, to having 1 trillion euro financed for climate action and environmental sustainability investments. She stressed that the EIB would finance investments exclusively on a pathway towards low greenhouse gas emission and resilient climate development. Climate adaptation is essential in Africa. The EIB will be engaging with each of the partner countries, discussing their determined national contributions and how to help them achieve these, also in cooperation with the EU delegations. She then mentioned the fact that the EIB will enhance the use of instruments, like green bonds, supporting new issuers. The EIB can act as an anchor investor to give confidence to the capital markets. Using the power of capital markets for green investments in Africa will be essential for making a difference at scale, which the EIB wants to do, working on several private sector initiatives (she mentioned Renew Africa, a project proposed to the EIB by the private sector). The EIB will collaborate with the European Commission to the European Guarantee for Renewable Energy, a special product, via a combination of technical assistance and guaranteed capacity. She stressed the new EU vision, which is no longer about donor-recipient relationships but mutual commitment, creating common expectations about a shared future, made possible with the engagement of European Delegations. It's also about partnerships amongst the multilateral development banks and with European development finance institutions. She concluded by stressing the vital role that the EU has played in the COVAX initiative, but said that it is not enough. The EIB is engaged in creating links between COVAX and AVATT, but she stressed the need to improve localised manufacturing capacity. In this respect, Team Europe announced the launch of a new platform, called SHIRA, for financing the creation of a sustainable and resilient health sector in Africa, that could also try to enhance manufacturing capacity.

Mr. Christian Kopf

He started questioning the actual possibility for African countries to attract private investments. He said that there is a strong call on private sector investment in Africa from the official sector. At the same time, hindrances are being put in the way of the private sector and especially of the regulated European private sector. He said that, if the EU does not invest in Africa, China will, and expect for lower standards of compliance. He wondered whether the approach that is being taken post-COVID-19 is the right approach to help Africa.

In his opinion, the tremendous growth and improvement in living conditions that has been seen in Africa during the last 15 years are not due to aid, but to a vibrant private sector. Africa has had lost decades since the end of European colonialism, depending upon the decades of official development assistance; this only changed once the dynamic private sector started to evolve. In Kenya, more than 40% of children have not been going to school for a year because of the pandemic; many people, dependent on services to fund their lives, have not had incomes and are suffering from the infection. Social conditions have deteriorated considerably in those countries. The official sector has provided some help and there has been some dispersal of funds. He stressed that the key question should be: how do we get Africa to work again? He said that the question raised, for him means how to let money flow where we have scarcity, finding a way to channel money where it is most productive, which happens to be emerging economies. He criticised debt relief measures, since they disincentivise the private sector from investing in those countries. He said that debt relief in Africa is a problem, as is over-indebtedness itself. But the major problem, he said, is the lack of control over who is managing the funds, with very little transparency. He suggested offering countries in need of debt relief a form of voluntary exchange of the country's existing bonds into new bonds. The new bond should be SDG bonds, thereby guaranteeing a clear commitment by the user of the proceeds, to meet the 17 sustainable development goals and the transparent monitoring of the proceeds by an international agency, either the EIB, the European Commission or some other organisation.