



European Business Council for Africa - EBCAM

DECLARATION ON THE FUTURE OF EU-AFRICA RELATIONS

(A PRIVATE SECTOR PERSPECTIVE)

12 November 2020

Introduction

2020 was scheduled to be crucial for Africa-Europe relations, with the 6th AU-EU Summit planned to take place on 28 and 29 October in Brussels. The COVID-19 pandemic required that the summit is postponed to 2021 together with the 7th EU-Africa Business Forum (EABF).

2020 was also crucial for the Cotonou Agreement. Signed in 2000, the Cotonou Agreement expired in March and both sides agreed to extend the existing agreement until December 2020. In early March, the Commission set an ambitious timetable to conclude the talks by the end of April, again affected by the pandemic. The successor agreement between the EU and the Organisation of African, Caribbean and Pacific States (OACPS - formerly named the African, Caribbean and Pacific Group of States, might have been the main deliverable to be presented to the heads of state in the now cancelled AU-EU Summit. The text of the new post-Cotonou Agreement is probably 95% completed and further extension of the interim arrangements may not be needed.

Although the AU-EU Summit and the EABF have been postponed, the EU-Africa relations are still high on the EU agenda. The conclusions of the last European Council Summit on 15 and 16 October 2020 underlined the commitment of the EU to furthering international debt relief efforts for African countries to help address the impact of the COVID-19 pandemic. It reiterated the wishes of the EU to work with its African partners and boost investment by working together on a comprehensive multi-sector, multi-level and multi-stakeholder investment programme (digital and knowledge economy, renewable energy, transport, health, and agri-food systems).

The determination expressed in these conclusions is an important step in the good direction and the time has come to move from talk to joint action on both sides. The structural economic transformation agenda combined with impressive measures to tackle the far-reaching implications of COVID-19 pandemic will come at a high cost. The pandemic accentuates economic problems that already were slowing down the economic growth of the continent since 2015. The economic impact of this crisis is likely to undo several years of progress. In an optimistic scenario, gross domestic product per capita in Africa will recover in the next few years. In a more pessimistic case, Africa will only return to 2019 levels much later.

The time for concrete action has come. The focus on the African continent should be maintained throughout the spectrum of economic and political operators engaged in Africa. **A delay in fixing the**

new dates of the political AU-EU Summit risks weakening the dynamics of the partnership, downgrading the work that has been done so far and giving lower priority to the EU Africa strategy. The European Business Council for Africa (EBCAM) recently urged the responsible actors to announce the new dates rapidly. Both sides have to confirm new Summit dates, decide on the focus and format, and speed up the political dialogue over the next months.

The risk is that because of other pressing issues, the EU will end up having very brief and perfunctory discussions on EU-Africa relations in the coming months leading to a mini-Summit in December 2020. This would probably mean reiterating its commitment to an "ambitious and modern partnership" and agreeing the principle of scaling up the partnership with Africa but pushing the task of spelling out the substance of what it means, to a later date.

Meanwhile, the postponement of the political Summit and EABF gives us the time to look beyond the current crisis for new windows of opportunities opened by the COVID-19 mitigation, if the right policy environment is in place. These key messages and recommendations are set out in the following declaration of EBCAM.

1. **The European Business Council for Africa ,EBCAM, the only federation of national European private sector organisations dedicated to Africa, reiterates its support to the new long-term vision presented by the EU (*Towards a comprehensive Strategy with Africa*)** whose goal for Africa is notably to maximise the green transition advantages, to stimulate the digital transformation, to considerably increase green, social and financial investments and to attract more investors by improving the investment climate. We believe that this new vision progresses from past attempts to reset EU-Africa relations and undeniably demonstrates a long-awaited progress to break with the unidirectional donor-recipient relationship of the past by ensuring a more collaborative approach to decision-making.
2. **For EBCAM, this more collaborative approach is most needed in the context of the COVID-19 pandemic which has further demonstrated the need for a global response and a strong EU-Africa partnership.** It is clearly no longer possible to do business as usual after the COVID-19 pandemic. A traditional North-South way of dealing with this crisis therefore no longer makes sense. This crisis cannot be solved by unilateral aid transfers and technical assistance provided by donor agencies to recipient countries. The fight against a pandemic can only be solved through joint action, reciprocal and mutual exchange.
3. **In this context, we support the debt service suspension, as promoted by the G7, the G20 and OECD,** representing another important step towards alleviating pressure and allowing for a more rapid response, and should be implemented swiftly by all actors along with coordinated international debt relief efforts. We therefore call for a temporary suspension of debt services for poorer countries (as proposed by several European countries, including France and Germany) and encourage debt relief for some developing countries
4. **Beyond this debt relief, we think that the devastating socioeconomic impact of COVID-19 on the African economies accentuates the need for sustainable investment and trade, as well as for a stronger private sector.** As a result of the coronavirus pandemic, Africa's private sector is facing a very large recession, the likes of which has not been seen for 25 years. This will put in jeopardy many years of private sector development and job creation on the continent
5. For these reasons we ask the European institutions to continue supporting the private sector in Africa as well as the reform processes underway, which try to improve business environment, redress the infrastructure deficits, promote SMEs and ensure better access to European finance. Concerning access to European finance, we call **on the European Union institutions to review international financing processes,** to take actions facilitating good practices (fair competition, corporate and social responsibility, local content, environment, principles of respect for the rule of law, support for established international standards, reciprocity principle and transparency / governance rules...), ensuring this should be an eligibility condition to access EU financing.

6. Concerning the availability of European financing, we would like to express our concern regarding **the budgetary constraints in the EU** that may have an impact on the outcome of the negotiations for the EU budget for 2021-2027 and the proposed *Neighborhood, Development and International Cooperation Instrument (NDICI)* that reserves close to €30 billion for Africa in the coming years, while there is an urgent need to provide additional liquidity for Africa's private sector.
7. **Additional resources rather than reallocations.** The European Union is seeking to mobilise a wide range of its development tools to tackle the pandemic, reallocating, front-loading and fast-tracking its existing aid. The EU has adopted a 'Team Europe' approach, in an effort to strengthen its internal coordination, among EU institutions and EU member states, and their financial institutions, notably the EIB and the EBRD. There will be €3.25 billion for Africa (European Commission, 2020): the EU should consider additional resources to match its policy intension and principles of solidarity and not repackaging of existing budgetary allocations.
8. **A clearer commitment for funds to be made available directly to the private sector.** The situation today is unclear: on the one hand there are declarations towards this direction and on the other hand there is resistance and suspicion for the private sector. The EIB still needs to announce its response for Africa. We expect it to (a) accelerate disbursements; (b) reorient eligibility; and (c) repurpose loans. A COVID-19 Crisis Toolkit may provide €1.35 billion for sub-Saharan Africa. It should include response initiatives that are open to the private sector, including a health preparedness partnership, access to finance for businesses, economic resilience support, loans with interest rate subsidies or other measures contributing to the necessary mobilization. **We call the European Development Finance Institutions and their shareholders to step up with additional resources** and use their links with the domestic banking sectors and their competencies to channel liquidity to Africa's private sector.
9. **Innovative financing. In this context, new innovative financial instruments are needed. The EC should consider the issuance of COVID-19 development bonds or Health impact bonds by EU relevant financial institutions** (as by the African Development Bank and IFC social bonds) to support the health and social response and build resilience in the private sector.
10. **The climate crisis:** This is a priority for both the EU and Africa, but interests differ regarding how to tackle climate change. A true partnership on this is possible, but compromise will be necessary. On the one hand, the EU will need to address the concerns of those who fear that the EU Green Deal will impose new barriers to African exports. Further, in building a Green Deal with Africa, it will be essential to begin by working together to meet some of Africa's legitimate concerns, whilst integrating a green growth agenda. For example, an agreement to prioritise a clean energy partnership that addresses Africa's energy shortages or green investments that create sustainable jobs and growth. By building a basis of trust and shared interest, it should become easier to focus on other legitimate questions such as biodiversity.

11. **Digital:** COVID-19 has demonstrated the importance of the digital economy more than ever, but also underlined some of the challenges in terms of respecting rights and freedoms. The EU should continue to support the African Union in working towards the achievement of the African Digital Single Market, whilst also working with Smart Africa and African governments to support the harmonisation of regulatory frameworks at the regional level and build cross-border infrastructure. While sharing its expertise on digital regulation, including on the rollout of GDPR, the EU must also work with local experts to develop simpler regulation that works for local markets and local administrations. More should also be done to connect and support local innovation ecosystems, including through simplifying access to grants and creating EU-Africa peer-to-peer networks.
12. **The African and European private sector have a shared interest in the successful implementation of the African Continental Free Trade Area (AfCFTA)** to increase intra-African trade with a view to the economic growth and job opportunities it is expected to create, and for the EU with a view to a future comprehensive continent-to-continent free trade agreement. The AfCFTA is now at the center of the continent-to-continent partnership. There is a clear wish to do away with distorted trade patterns of African exports to the EU that are largely made up of raw materials and commodities.

Until now, the EU and African private sector are not involved in the implementation of this ambitious project that is still a state-to-state relationship.

As far as AfCFTA is concerned, we need clarity on how the EU and its African partners will ensure coherence with existing and future agreements, including the successor to the Cotonou agreement currently under negotiation. In the context of some uncertainties related to the ongoing negotiations of post-Cotonou, **we are eager to have confirmation to the following:** (1) efforts towards enhancing productive capacity and value chains development in the AfCFTA and EPAs reinforcing one another. (2) mechanisms to handle possible tensions or opportunities that could arise in the longer term if the AfCFTA became the basis for a continent-to-continent FTA between the AU and the EU, encompassing or superseding the existing EPAs and other FTAs between the EU and North African countries.

We expect that the EU would commit to make a useful contribution to the ambition of the AfCFTA (that will inevitably face delays) by supporting the development of a sustainable African domestic economy. Knowledge and technology transfer, development of human capital, local value chains, green economy, small and medium-sized enterprises, and job creation should now be given priority. Reciprocal and intra-African investments should be encouraged, particularly in the structuring of production chains.

13. **For African and European private sector, the main priority is Africa's development.** Companies represented by our organisations are eager to participate in a manner which would be economically viable, socially acceptable, environmentally clean and bearer of long-lasting and decent jobs notably for young people.
14. **We therefore invite the European Commission to engage in a more direct and visible policy of systematic promotion of the private sector.** We believe that the Commission should take at least three priority measures in addition to the very promising actions that have already been in favour of the improvement of the investments climate and of the construction of regional markets, in particular with an effective engagement of the private sector in the establishment of the AfCFTA .
15. **First priority measure: Amplifying financing toward the private sector by making tools more available and agile;** The EC must urgently simplify and make more accessible its array of financing tools at the service of the private sector, especially when it comes to investments financing guarantees.
16. For this first priority, the External Investment Plan (EIP) constitutes a basis for action. **The EIP should be amplified** and more quickly deployed by a larger number of actors, in synergy with decentralized sources of local finance. In order to benefit from the EIP, European companies need a facilitated direct access to the instruments. The reduction of risks, and with that the facilitation of financing enterprises, are key concerns. **It is important that the guarantee instruments are tailored precisely to the needs of the companies and made accessible to medium-sized companies, without disproportionate administrative burden.** We propose that the European Investment Plan launches a call for proposals for projects of private enterprises contributing overall to the reinforcement of the continent for health and food sufficiency.
17. In relation to the same first priority, **the African continent has a real chance of benefiting from many African and European companies' considerations about rationalising and diversifying their supply chains.** Therefore, the EU and the AU should start drawing up post-pandemic plans to support companies do so and to mitigate the economic and social impact of the pandemic on the continent at an early stage. This requires new financing instruments geared to the needs of companies, the establishment of special economic zones and close cooperation between the AU and the EU.
18. **Second priority measure: Promoting an environment favorable to private investment: preference to a targeted technical assistance instead of budgetary supports;** investment and the resulting job creation demand healthy and stable business environments. An increased access and use of targeted technical assistance appear a necessity for the development/improvement of a business conducive environment, suitable training of stakeholders for employable skills, better governance and synergies of all above for a positive impact. This will have a direct impact in particular on African SMEs which will be the main job

providers. A technical assistance policy harmonized across European actors would allow, in this context, to multiply the financial power of the EU.

19. For this second priority, we call the EU to realign and strengthen a harmonised European technical assistance toward the private sector and toward the improvement of the business environment, through the establishment of mixed Europe – Africa teams to avoid cultural biases which might hinder the implementation of good practices.
20. **Third priority measure: Putting technical and professional training at the heart of the European financial efforts, in order to develop employability and improve competitiveness;** today, many African countries face an increasing gap between the training available and needs of the economy. It is therefore urgent to invest more in vocational training and to allocate significant European funds to technical training and to the training of trainers. Investing in skills partnerships will be needed in order to meet domestic labour needs in countries of origin and destination countries.
21. **This third priority could potentially be particularly important for workers in the healthcare sector,** which in the light of the current COVID-19 pandemic, has revealed the shortage of workers in the healthcare sector in certain European countries and in Africa the need for robust, equipped, and staffed healthcare facilities.
22. **We call for a closer structured dialogue between the African and EU public and private sectors** at all levels to identify problems, find solutions and create a strong climate, environmental and biodiversity focus, to turn a post-COVID-19 investment boom into an opportunity, including towards a circular economy and sustainable food systems, in line with the European Green Deal. **Implementing the AfCFTA and strengthening EU-Africa economic and trade relations do require continued public private dialogue** on the business environment and investment climate, including a level economic playing field, norms and standards, the protection of intellectual and industrial property, sound public financial management and tackling corruption and illicit financial flows.
23. There is therefore a need to go beyond the stage of consultation to a system of public - private dialogue where actions are based on constraining result oriented procedures, where results and impact are measurable, and we remove the constraints linked to the recommendations, action plans and timetables of implementation.
24. **This dialogue should be accompanied by increased efforts to build the capacity of these business organisations in African countries and increase their representativeness.** In that respect, European private sector organisations can play an important role. Through partnerships and focused capacity-building projects, they can contribute to making African business organisations professional voices for the business sector in their respective countries.

25. The European Commission Directorate General for Justice has announced a legislative initiative on mandatory due diligence for companies from 2021. A law for human rights and environmental due diligence harbours the great danger that European companies withdraw from challenging markets rather than invest in them, as the other international players are not requiring any constraints on their economic operators (China). **Such legislation could create additional bureaucratic hurdles for companies, increase their risk perception as well as tilt the global level playing field even further.** And last but not least, it obliges companies to exert control on African companies (suppliers, business partners) - without consultation with African states.
26. It is important to stress that any kind of human rights violations from companies must be condemned. **It is clear that businesses must live up to their responsibilities when operating in fragile environments, including African countries.** However, instead of imposing obligations on companies which affects the jurisdiction of, amongst others, African countries in a paternalistic way, policymakers should find multilateral solutions together with African partners to safeguard human rights in the respective countries. **We therefore advocate that African partners should be involved in the shaping of this legislation, or to jointly find other means to enable an improved human rights due diligence.**
27. Although it is too early to anticipate all possible implications, we, EBCAM, already start looking beyond the current crisis to seize some of the opportunities outlined above and we trust that the collective voice of business organisations, will be taken into consideration by the political leadership and contribute to successful discussions during the next 6th AU-EU Summit and the 7th EABF.
