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The Future of the Africa-EU Partnership
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Talking Points

Africa-EU: Dialogue and Negotiations in Global Fora

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- **The changing face of aid in Africa**

- The **Aid discourse has evolved significantly over time**, shifting from a focus on the absolute levels of ODA flows, to aid effectiveness, viewing aid as only one of many inputs to overall development effectiveness and to facilitate local ownership of development priorities, as highlighted at Busan in 2011.

- In the 1980s-90s- structural adjustment programmes were used as a mechanism to open up African states to the global economy. There was also a culture of celebrity focused assistance e.g. Bono and the Live Aid concerts and 1985 USA for Africa.

- Following the failure of the SAPS, Poverty Reduction Strategy Programmes (PRSPs) were advocated, acknowledging that the state does have a role to play in development. The role of civil society in debt relief campaigns also gained significance.

- The next decade saw a focus on support to measurable goals for poverty reduction, e.g., MDGs as well as concurrent discussions on development finance as found in the Monterrey consensus which focused on domestic resource mobilization. The Busan Partnership also puts a focus on quality of aid.

- However, MRDE report suggests that in 2010 **donors achieved only one out of thirteen targets on aid quality set in the Paris Declaration on aid effectiveness** for which data are available.

- **Non-African developing countries account for about 9 percent of bilateral aid flows to the region**, and importantly, this assistance lacks the policy conditions which are hallmarks of DAC donors, and is more geared towards project support, for example infrastructure.

- While aid effectiveness is a useful concept, there is growing acknowledgement that the ultimate impact or usefulness of aid depends largely on whether or not it enables recipient countries to meet broad national development objectives.

- ECA empirical studies on the impact and effectiveness of ODA to Africa show that ODA has a positive and statistically significant impact on the growth of per capita income, investment in physical capital, primary school completion rates, and health outcomes such as increasing life expectancy and reducing infant mortality. The studies find that the positive impact of ODA on development increases with better governance and policy environment.

- **A New Partnership for Development Assistance**

- **Net ODA receipts have played a substantial role in African central government budgets** since independence, at 18.2 per cent of central government expenditure in 1970, and 19 per cent in 2008 (ECA calculations based on World Bank WDI).

- Yet the achievements of the Africa-Europe partnership **have not been accompanied by concurrent structural change**. The agricultural sector continues to employ 65 per cent of the workforce (AU-UNIDO Aid Memoire 2012). The continent has undergone de-industrialization; manufacturing has fallen as a per cent of GDP from 15.3% in 1990 to 10.5% in 2008 (UNCTAD, UNIDO 2011), and Africa's share of global manufacturing exports has remained negligible, at below two per cent.

- The lack of spillover success of Africa-Europe relationships has been due to the focus on social and human development, with **limited focus on developing productive capabilities** and boosting the continent's business environment.

- The Africa-Europe relationship can no longer be viewed as a donor-recipient dynamic, but rather **as a partnership for realizing development goals** which benefit Africa as well as the global environment, in which these specific goals are conceptualized and owned by African States.

- Between 2011 and 2012, bilateral aid to sub-Saharan Africa fell by **8%** in real terms. (MIF 2013). Austerity measures in Europe have had a marked effect on ODA flows as the two donors with the most significant decreases in 2011 were Greece (39 per cent) and Spain (32.7 per cent).

- In 2012, the GDP growth rate was **-0.2%** for EU-27 area and **+4.8%** for sub-Saharan Africa.(MIF 2013)

- **Remittances and FDI now are greater sources of financing than new total ODA flows** (2011 OECD statistics). In 2012 r**emittances** sent to Africa, were over **$60 billion.**

- FDI to Africa passed the US $50 billion mark in 2012, for the first time since the onset of the global economic crisis. In 2011, the **rate of return** on inward FDI to Africa was the highest in the world, at 9.3 per cent, versus a global average of 7.2 per cent (UNCTAD 2013).

• Africa and Europe are Changing

Africa is changing

- Twenty-seven African countries have already attained "middle income" status, and at current growth rates, as many as 40 (i.e., 75% of countries on the continent) could reach that status by 2025.

- The **total assets of African banks** grew to $1.4trn, up 5.7% from 2011 with the most pronounced growth in central Africa where loans more than doubled from $4.9 bn in 2008 to $11.9bn in 2012 and growth in deposits increased by 138% in the same period (TAR).

- Africa stands out as **top performer in banking in** 2013. At 2.3%, it now has a higher share of global profits than Western Europe, despite accounting for less than 0.8% of global assets. Its return on assets is 2.1%, far outstripping Asia-Pacific or Latin America. Kenya is the top African market for return on assets, at more than 5%, and enjoys a new entrant in the ranking – the Cooperative Bank of Kenya entering at 1000. (The Banker)

- Albeit starting from a low point, VAT-based reforms have led to increasing government revenue, despite reductions in trade taxes, and **Africa more than tripled its revenue collection between 2002 and 2008**, reaching US $509 billion (ECA, OECD 2013).

- Africa lost about US$854 billion in Illicit Financial Flows over 1970–2008, averaging about US$22 billion a year. This amount could wipe out the region's total outstanding external debt while leaving US$600 billion for poverty reduction efforts. **(UNECA, 2012)**

- Africans are increasingly connected to one another and to the globe, due to **innovative and entrepreneurial ICT** across the continent. ICT goods traded in Africa nearly doubled, as a per cent of total trade, between 2003 and 2011 (UNCTAD 2013).

- In terms of FDI stock, **Malaysia, South Africa, China and India (in that order) are the largest developing-country investors in Africa**, and this investment is diversified across many sectors (UNCTAD 2013). China's FDI reaches 48 countries across the continent, and China has initiated and supported the operation of SEZs in Algeria, Botswana, Egypt, Ethiopia, Nigeria, Mauritius, Tanzania, Zambia, and others.

- Chinese official FDI stocks stood at US $14.7 billion by the end of 2011, or only 2.6 per cent of total FDI stock on the continent (World Bank 2013). In contrast, France, the United States, Italy, Germany and the United Kingdom remain the largest individual investors in Africa (AEO 2013).

- Between 2011-2012, FDI outflows from Africa nearly tripled while flows from developing Asia and from Latin America and the Caribbean remained at the 2011 level. The rise in outward FDI was mainly due to large flows from South Africa in mining, the wholesale sector and health-care products. (UNCTAD 2013)

- In 2008, South Africa and Egypt (both with a share of 15%) were the EU's leading partners in terms of total volume of trade in services (i.e. services sold and services bought). Whereas South Africa primarily traded 'Other services' (accounting for 50 % of all services traded with the EU-27), 'Travel' was the main source of trade in Egypt (44 %) and Morocco (36 %), reflecting their position as popular tourist destinations.
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- It is projected that Africa's consumers will spend US $1.4 trillion annually by 2020.

- Africa is home to 9 of the 20 economies narrowing the gap with regulatory frontiers regarding business since 2009.

- A number of countries have had double-digit improvements in the Ibrahim Index of African Governance since 2000, including Liberia, Angola, Sierra Leone and Rwanda.

Europe is changing

- Following the 2008 economic crisis, global FDI from OECD countries declined by 14% between 2011 and 2012 (AEO 2013). **Despite this, Europe's engagement with Africa has remained strong** both in terms of trade, investment and ODA, and continued long-term commitments outweigh the momentary falls in some flows due to market effects.

- **Africa is no longer simply the departure point for labourers for other regions, but a destination as well** with the large numbers of Europeans re-locating to Africa for work. Skilled immigrants, notably from the Iberian Peninsula, have been welcomed in former Portuguese colonies of Angola and Mozambique.

- The social impact and severe loss of life experienced recently amongst Africans migrating to Europe for work draws greater attention to the issue of economic migration. Rather than a greater securitization of the Mediterranean region, **enhanced development efforts within Africa, with backing from European partners, are necessary to lay the ground work for a more prosperous Africa that will retain its own ambitious workers.**

- Europe has the **lowest population growth rate** in the world at 0.1% whilst Africa has the highest population growth rate of 2.5% (MIF2013).

- **AFRICA-EU TRADE**

- The USA and Germany are the **largest chocolate-producing countries,** accounting for some 47 per cent of overall consumer chocolate production in Europe (UNCTAD 2008 report on cocoa).

- Africa is the largest cocoa-producing region. Four countries – Côte d'Ivoire, Ghana, Nigeria and Cameroon – accounted for virtually all cocoa production in the region, and about 68 per cent of global production (2005/06 crop year).

- The proposed deal between cocoa processors Cargill and Archer Daniels Midlands (ADM), if it goes through will be the **second massive industry tie up** and in addition to Barry Callebaut's merger with Petra Foods, the two companies will **control up to 60% of total world trade** in cocoa.

- almost 90 per cent of cocoa production worldwide came from smallholdings under 5 hectares

- Much value in commodity processing accrues to firms in developed countries (for example, up to 90% of the total income from the coffee value chain goes to consuming countries), thus there is a need for MNCs to provide more opportunities to producers within raw coffee bean supplying countries to engage in higher value roasting and other activities.

- Since 2011, of the $27bn of public equity raised by African firms or those with their main activities on the continent, 60% has been sold outside Africa. London is the leading destination for African companies listing abroad. By the middle of 2012, 103 sub-Saharan-focused entities were represented on the LSE. That's the largest concentration of African businesses outside of Africa.

- In 2010, only 1.2 per cent of total AfT commitments to Africa were devoted to trade facilitation.

- **Full reciprocity under EPAs will be costly for Africa, but gains are possible if arrangements address the most-protected European products, and if non-tariff-barriers and other restrictions are dealt with** (ECA 2005).

- In October 2013, ECOWAS reaffirmed its commitment to concluding its EPA, and **made clear that agreements must include adequate financing, services and free movement of persons, and that the final agreement must be equitable and development-oriented**.

- Turkish Airlines currently flies to 39 African cities (26 countries in total). It was the first carrier from outside Africa to offer scheduled flights at Mogadishu in 21 years. (CAPA)

- Present in Africa for close to 75 years, Air France and KLM continue to strengthen their network in this region of the world. The Group currently flies to 42 destinations (cities) in Africa *(44 counting Mauritius and Reunion Islands)* , linking the continent to the Paris-Charles de Gaulle and Amsterdam-Schiphol hubs with a +8% increase in capacity during summer 2013

- **CLIMATE CHANGE**

- The 4th Assessment Report of the IPCC showed a warming across the continent between 0.2° and 0.5° per decade up to the year 2100. This change in the climate will also come with more frequent events such as storms, floods, sea level rise or droughts.

- Africa's CO_2 emissions per capita are less than one ton per annum. It accounts for just 2.4 percent of world emissions.

Ongoing CC negotiations

- Climate change is a global commons problem which can only be addressed through **co-operative action**, Africa should see itself as not part of the problem but also part of the solution

- Climate change offers Africa an array of **incredible investment opportunities** that can reap dividends. Offering an African climate development policy can respond to the unique vulnerabilities and opportunities the continent faces, while position it to influence negotiations and outcomes.

- However, Africa is trapped in global negotiations on climate change which on the whole are largely driven by **global and external interests.**

- The European Commission's Institute for Energy suggests that just 0.3 % of the sunlight that shines on the Sahara and Middle East deserts could **supply all of Europe's energy needs.** Only 5% of Africa's total hydropower potential is exploited. (MIF 2013).

- The Great Rift Valley is an area with **high geothermal activity**. It is estimated that around 9,000MW could be generated from geothermal energy. Yet the installed capacity in Kenya and Ethiopia, the two main exploiters in the region, is far less at 167MW and 7.3 MW respectively.

- The amounts Africa receives for adaptation is negligible, in average less than 2% of the total. Economic development has not been at the forefront of climate negotiations and a 'loss and damage' account never been agreed.

- Developed Countries during CoP-15 (2009) agreed to mobilize US$100 billion per year by 2020 to assist developing countries in adaptation and mitigation. They also pledged to deliver "fast start finance" approaching US$30 billion by 2012. So far, as US$29.2 billion pledged since 2009, only 45% has been "committed", 33% "allocated" and about 7% actually "disbursed".

- **MDGs**

Issues with current MDGs

- The **current MDGs have a limited focus on topics that are most vital for Africa** to build on its strong growth momentum, namely: economic transformation, domestic resource mobilization, quality service delivery, infrastructure, and addressing inequality.

- There is an **over-emphasis on development assistance for the social sector**, with this sector receiving 40% of ODA as of 2010. **Conditionalities attached to ODA, in fact, have limited the policy space available for structural policy interventions.**

- **Regardless of the high-performance of African countries, they will be judged as falling short of the stated targets which were unfairly imposed** on all countries, ignoring context specificities, especially inequality among and between countries

Post-2015 Deliberations

- The post 2015 partnership must follow through on establishing the global environment for development envisaged under MDG 8, and avoid a donor-recipient relationship, while promoting fair trade, foreign direct investment and forging cooperation with the indigenous private sector.

- Africa-wide regional consultations concluded that the post-2015 development agenda should focus on the following:

1. **Structural economic transformation and inclusive growth**
2. **Innovation, technological transfer and research and development**
3. **Human development**
4. **Financing and partnerships**

- **Africa needs to take the lead in defining its own development goals and processes** and Africa's development cooperation and partnerships must be re-formed around the common principles of:

1. **Voluntary: partnerships must be voluntary and not coerced;**
2. **Transparency: both parties must be transparent in their agendas;**
3. **Equity and mutually beneficial and aligned with Africa's priorities;**
4. **Mutual accountability: both parties must be accountable to each other;**

5. **Balanced between domestic and external entities.**

- Europe can continue to assist Africa achieve its development needs in the post-2015 world through:

1. **Aid to bridge domestic funding gaps in social and economic sectors;**
2. **Trade agreements with greater benefits for Africa;**
3. **FDI for infrastructure and other value-added activities;**
4. **A framework for institutionalized technical assistance, rather than ad-hoc assistance, to enhance competitiveness, productive capacities and spur innovation.**

Financing

- FDI is an important source of investment in productive sectors, and has accounted for 20% of gross fixed capital formation over the last decade. However, **FDI is still concentrated in a few extractive sectors** (75% in oil exporting countries; 30% to Northern Africa). Despite the increase in emerging-market FDI flows to Africa, traditional partners still contribute 80% of the continent's FDI.

- **Comparism between Africa and other countries**

- UNESCO figures show that African literacy rates for adults above 15 years between 2005 and 2011 was 62%. This is comparable to the literacy rates in Asia between 1985 and 1994 during their time of industrialisation.

- UNESCO figures show that in 2010, the total number of graduates in engineering and manufacturing stood at 135,747 for Indonesia, 168,008 for Japan and 58,577 for Korea. In Africa, the largest numbers of graduates were 5,007 from Ethiopia and only 271 were trained in Angola.

- As the percentage of GDP contribution agriculture makes to the economy of the SE Asians reduced from 33.6% in 1970 to 11.8% in 2006, with a corresponding increase in manufacturing contribution from 15.4% in 1970 to 27.7% in 2006. On the other hand, both the contribution of agriculture and manufacturing to the GDP of African countries continue to decrease from 35.8% to 28.1% for agriculture and from 15.6% to 7.7% for manufacturing respectively.

- Africa currently experiencing the same levels of growth as South-East Asia pre-1990s crisis and now developing countries in Africa and Asia are experiencing similar growth rates (around 5-6%). In addition both EAC and ECOWAS reported real GDP growth rates of approximately 6% compared to the EU OF 1.1% between 2002-2012 (UNCTADSTAT)

- The overall GDP of OECD countries has increased by 15.5% between 2001 and 2011 whilst the overall GDP of Sub Saharan African countries have increased by 25.7% over the same period of time. African countries such as Democratic republic of Congo (427% increase), Ghana (259.8% increase), Nigeria (137.5% increase) and Ethiopia (12% increase) are also seen as the fastest growing but also the most populous on the continent. European countries had more meager growth rates of France (7%), Norway (27.2%) and Germany (100%) increases.

- **OECD FDI flows to Africa**

- Following the 2008 economic crisis, global FDI from OECD countries' declined in 2012 by 14% from 2011 to USD 1.4 trillion. (**AEO 2013**)

- The largest individual investors in 2011 were France and the United States with USD 5.7 billion and USD 5.1 billion respectively, followed by Italy and Germany. Over 2005-11, the United States was the largest investor with USD 37 billion, followed by France and the United Kingdom, both at around USD 31 billion. **(African Economic Outlook, 2013)**

- **Services**

- **Airlines**

- Ethiopian Airlines expands its global footprint to link the world's high growth regions. In 2013, Ethiopian currently has 45 international flights in Africa; 11 in Europe and America; 19 in the Gulf, Middle East and Asia.

- **African trade with the rest of the world**

- Trade with the BRICS has grown faster than with any other region in the world, doubling since 2007 to $340 billion in 2012 and projected to reach $500 billion by 2015

- Sub-Saharan Africa now conducts half of its trade with developing economic regions. From 1998 to 2008 Asia's share of Africa's trade doubled to 28% whilst Western Europe's shrunk from 51% to 28%.

- India is Africa's fourth largest trading partner after the EU, China and the US. It accounted for 5.2% OF Africa's global trade in 2011. Uganda, Tanzania and Niger are key suppliers of uranium for nuclear power generation. Of India's top 10 trading partners in Africa, seven export oil to it (totaling about 20%).

- **Intra African trade**

- It is estimated that informal cross border trade (ICBT) represents 43% of official GDP, thus being almost equivalent to the formal sector (Lesser &. Moisé-Leeman, 2009). Surveys indicate that in some African countries, informal regional trade flows represent up to 90 per cent of official flows.

- The range and reach of ICTs in all societies, including Africa, has extended greatly in the last two decades, as a result of innovations in technology (notably mobile wireless technology), increased network capacity and lower costs for the deployment of networks and services. This is notable in ICT goods traded reaching $ 1.03 Billion in 2011 (0.35 per cent of total trade) compared to 2003, representing a 70 per cent in contrast to that of only 0.67 per cent of total trade in 2003 (UNCTAD 2013).

- Official sources report an average value of informal cross border trade in the SADC Region of US$ 17.6 billion per year. Informal Cross Border Trade contributes for 30-40% to intra-SADC Trade.70% of informal cross border traders are women.

- **Commodity trade**

- **Agriculture**

- African farmers can meet internal demand without increasing productivity only if they transfer resources from export crops (including cocoa, cotton and coffee) to food crops. But there is limited scope to achieve that. In fact most countries on the continent do not export more than 20% of their agricultural production value; 80% is consumed locally.

- A recent World Bank study concluded that some 400 million ha of land in Africa’s Guinea savannah zone is suitable for agriculture. But only 10% of that land is in agricultural use.

- In 2005, the total arable land in use in SSA amounted to 236 million ha, or only about 24% of the total suitable area.

- In the 1960s, Asian yields were about 46% higher than Africa yields. Both the next two decades, as the green revolution spread throughout Asia and skipped Africa, the difference in yield widened. In the 1990s, Asian yields were nearly double African yields.

- Africa has the potential to make an impact in other commodities, such as palm oil and sugar. In these cases, SSA’s climate and geography give it a competitive advantage. As South East Asia faces potential supply constraints, future growth will likely have to come from countries such as the DRC, Cote D’Ivoire, Cameroon, Sierra Leone and Liberia.

- **Coffee**

- Up to 90 per cent of the total income from coffee goes to rich consuming countries— underscoring the benefits African countries are currently forgoing (ERA, 2013)

- Ethiopia's economy is based on agriculture, which accounts for 41% of GDP and 85% of total employment.

- Coffee, Ethiopia's largest export, accounts for 10 per cent of GDP. Coffee production involves 1.3 million small farmers, but with dependants and employees in ancillary industries supports an estimated 15 million people.

- **Leather**

- In Ethiopia, an Ethiopian herder receives about $10 for the goatskins that will produce a Bati coat. The exporter receives $40-50 for tanning and processing. A manufacturer/importing wholesaler then makes the coat with a final retail value of at least $400 (ERA 2013)

- **STARBUCKS**
- Starbucks generates about 75% of its revenue through the sale of beverages, 19% from food sales, 4% from packaged and single serve coffee sales and 2% from coffee-making equipment and other merchandise sales.

- In 2012, Starbucks sourced 545 million pounds of premium quality green (unroasted) coffee from 29 countries including Ethiopia and Kenya in 2012, and paid an average price of $2.56 per pound. Thus a total of $1.4 billion was paid to coffee growers, middlemen and communities. Contrast this with total revenue of $13.3 billion generated by the firm in the same year. (construction from information from http://www.starbucks.com/responsibility/sourcing/coffee and Starbucks 2012 annual