

# Future Africa-EU

STRATEGIC DIALOGUES

8 & 9 July 2024



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From climate change to conflict, the state of polycrisis defining our world today has made it clear: to come out as winners, Africa and Europe need to join forces and build a strong, credible partnership. With elections and new political scenarios at our front door, the Africa-Europe Foundation facilitated a roundtable discussion to provide a timely blueprint for collaboration between Africa and Europe, with Sustainable Finance as the fil rouge to set a cross-continental partnership based on equal footing.

As the former President of Liberia Ellen Johnson Sirleaf stated at the EU-Africa Summit in 2019, "The Europe of tomorrow will not rise to its true potential without a re-set in its relationship with Africa" and vice versa. However, five years later, figures show that manufactured goods are Europe's main exports to Africa, while much of Africa's exports to Europe remain raw materials and energy. The road ahead for a partnership of equals is still

long, and as former President of Ireland Mary Robinson stated, "money is at the heart of it."

Over the course of the day, both in-person and online participants discussed critical areas to build a mutually beneficial Africa-Europe partnership, ranging from tackling illicit financial flows and mobilising domestic resources to untapped sectors that hold promise such as the blue economy.

With new institutional cycles taking shape for both the African Union and the European Union, and the forthcoming 'UN Summit of the Future' in September, the gathering marked a stepping stone, paving the way for a new vision of European policies aligned with Africa's agenda, aimed at establishing a strong partnership where Africa and Europe explore ways to mobilize finance through strategic collaboration and mutual benefit.

## Key takeaways

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- Looking at long-term trends, it's clear that an Africa-Europe relationship is strategic to meet common challenges and maximise benefits across sectors that hold promise from energy security to migration.
- Both continents have a responsibility in improving the relationship and reestablishing trust by strengthening own institutions and systems, as well as by meeting past commitments made to one another. Effective solutions to financial challenges must be fuelled by common interests and respect on both sides.
- Current challenges and opportunities to mobilise finance cannot be addressed with a one-sided approach and mindset. When it comes to global tax and illicit financial flows, comprehensive reforms of the international finance architecture and global tax regimes are needed, as continents cannot act alone in implementation.
- Domestic resources have yet to be mobilised to their fullest extent and are a critical puzzle piece to ensure effective investments and allocations. Yet public finance is not enough to plug the investment gap and thus innovative sources like carbon diplomacy become relevant.
- The interlinkages between geopolitics, domestic resource mobilization, and debt should be reflected in shaping policies and partnerships. When designing and restructuring tax and debt frameworks, the role of climate must be integrated into finance conversations. Adaptation finance can increase the ability to service debt by contributing to economic productivity and resilience.
- Umbrella solutions are not the way forward, as countries on both continents are diverse in their resources and interests. With 55 member states in the African Union and 27 member states of the European Union, a future-proof partnership of equals between Africa and Europe should maximize each continent's assets, including untapped areas of opportunity, which could foster strategic hubs of additional resources.

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### Rebuilding Trust Jointly

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Africa-Europe relations are grounded in historical, cultural, and geographical cooperation. However, as President Ellen Johnson Sirleaf noted, geopolitical contexts have affected the continents' multilateralism, ultimately resulting in Africa's financial dependence on its bilateral relationships with Europe and elsewhere. At the same time, President Mary Robinson highlighted that Europe has used this long-standing donor-recipient model to advance policy, such as that related to trade, without consulting African partners who must address direct implications.

The need to rebuild trust to ensure equal capacity sharing between the two continents was a running theme throughout the day's discussions. Representatives from the policy sector to

institutions urged leaders to acknowledge evident discrepancies between the intended relationship of the two continents and its truthful history.

David Arinze, Program Officer for Diamond Development Initiatives and representative of the previous day's session, "Youth in Action: Financing the Future: Africa-Europe Perspective," echoed this need. He went one step further, stating that we cannot talk about collaboration between Africa and Europe without fostering the economic participation of the youth, who will make up most of the workforce by 2050 but are still siloed from most decision-making processes that will inevitably impact their future.

### A Renewed Partnership: "Why Europe Needs Africa (and Africa Needs Europe)"

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The current state of the partnership presents a rather mixed picture, but experts around the table agreed that future opportunities lie within the challenges faced.

Rosa Balfour, Director of Carnegie Europe, used Gramsci's paradigm to express her view on the future of EU-Africa relations, grounded in the "pessimism of the intellect and optimism of the will." With one out of every four votes in EU elections going to radical right-wing parties, which advocate for reducing development aid globally, there is little room for optimism. However, Balfour highlighted that countries like France, where citizens have united to combat far-right extremism, demonstrate that broad coalitions of people and political forces can foster optimism in Europe and, consequently, in its relations with major partners such as Africa.

Along these lines, Zainab Usman, Director of the Africa Program at the Carnegie Endowment for International Peace in Washington D.C., stressed that "The African continent is a very important part of the world and it has always been," giving the floor to her colleague David McNair, Director of Global Policy at the ONE Campaign, who presented the recently published Carnegie

report "Why Europe Needs Africa (and Africa Needs Europe)", making the case for a renewed multilateral relationship. "In truth, almost all of the major threats and opportunities that Europe could face in the next century will require cooperation with Africa, either to limit harm or maximise opportunities," McNair stated.

By way of explanation, Europe's aging population and declining birth rates are impacting European fiscal policy, productivity, and economic ratings. In contrast, Africa, often referred to as 'the youth hub of the world,' is expected to add 796 million people to its workforce by 2050, which will bolster the continent's economic growth, with consumer potential estimated at \$3 trillion, he continued.

Furthermore, Europe aspires to lead in climate action and Africa holds 60% of the global solar energy potential, as well as 70% of the world's platinum and cobalt production. The numbers are clear: from any perspective, placing Africa at the bottom of Europe's priorities, and vice versa, is not an effective long-term strategy.



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## Joint Areas of Opportunities

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With such a diverse pool of experts joining, the event brought several sectors of opportunity to the forefront of the agenda, which are win-wins for the Africa-Europe partnership and could mobilize further funds by fully utilizing each continent's assets.

Alongside sectoral recommendations on climate change for example, many of the opportunity areas highlighted centered on topics that are gaining political momentum, namely digitalization and migration, all of which are interconnected and cross-cutting.

Digital cooperation, according to Jane Munga, a fellow in Carnegie's Africa Program focusing on technology policy, is a domain where we could see fit-for-purpose collaboration between Africa and Europe. With Africa already setting its priorities through the African Union Digital Transformation Strategy, the advancement of the African digital market, driven by youth, should be acknowledged by Europe. "There are a lot of European applications in the African market, but we need to see more collaborative markets where African digital services are used in Europe as well," she claimed.

When digital services are used in Europe, they highlight the divide between Africans and non-Africans, particularly considering the refugee crisis and the differing treatment of African migrants compared to Ukrainian ones in the aftermath of Russia's invasion of Ukraine. Alessia Volpe, Global Cash Expert at the Norwegian Refugee Council, noted that for the war in Ukraine, countries deployed a nationwide system of biometrics and fintech to bypass the issues of identification (IDs) and meeting Know Your Customer (KYC) requirements, which are regulations that mandate verifying the identity of clients to prevent fraud. However, this same approach has proven to be impossible when applied to African migrants and refugees in Europe, underscoring a significant disparity in how different groups are supported.

Just as in political campaigns, migration and mobility were hot topics of discussion during the event. Marta Foresti, Founder and CEO of Lago Collective, stressed the inequality in mobility between Africa and Europe. She highlighted that visa application costs for Africans travelling to Europe are high, with more than 5 million euros being spent and lost in Nigeria every year due to rejected visas. If better managed, these costs could be redirected as additional resources for African countries, similar to remittances.

The idea of smart decision-making in sectors that have the potential to unlock economic productivity, financing and investment opportunities was echoed throughout the session. The idea of "not more money, but smarter money," emerged, citing the recently published report "Financing Africa: Where is the Money?" by the Mo Ibrahim Foundation, which makes the case to fully leverage existing assets at hand for resource mobilisation, including discussions on tax and carbon markets, which in recent years has taken a global partnership perspective.

First mentioned by President Mary Robinson, co-chair of the Women Leaders Network at the Africa-Europe Foundation, taxing carbon-related activities has been a popular point for mobilizing finance across both continents. Activities such as an aviation levy, taxes on maritime fuels, and discussions on fossil fuel taxation could bring additional liquidity to advance global climate action and achieve socio-economic growth. Most importantly, they would burden those who pollute the most, reversing the current trend where those who pollute the least (Africans) are the ones who suffer the most. Rachel Owens, Director of the Climate Finance Programme at the European Climate Foundation, stressed that, according to recent polls, 68% of Kenyans are in favour of taxing wealthy corporations and particularly polluting sectors.

Isabelle Durant, UN Human Rights Council expert on the right to development, agreed that discussions about the future should not overlook present concerns about climate change. One tool to address issues on the ground, she explained, could be circular carbon diplomacy. "Today the carbon market is a bit of a forest of initiatives without any rules or requirements of clarity for all stakeholders," she remarked.

Nancy Karigithu, co-chair of the Africa-Europe Strategy Group on Ocean Governance of the Africa-Europe Foundation, urged participants to focus on Africa and Europe's blue economy, emphasizing that "Africa and Europe are in close proximity to more than a quarter of the world's largest marine ecosystems, with the livelihoods of an increasingly large number of people being dependent on the equitable management, health, and productivity of coastal and marine areas." She advocated leveraging existing and recent political commitments to preserve blue diversity, and consequently its economy, such as the BBNJ Agreement, an international agreement on the conservation and

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sustainable use of marine biological diversity in areas beyond national jurisdiction.

As a prominent point of emphasis, she highlighted the strategic

utility of the Africa-Europe Foundation strategy group, which serves as “a very unique joint exchange and learning platform advancing a mutually beneficial vision and common priorities for our two continents on ocean policy and action”.

## Tracking Better Finance

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In her opening remarks for the day, President Mary Robinson set the scene for the conversation to naturally flow into a debate on sustainable finance, stating “Nothing happens without finance, whether we like it or not”. To effectively move away from the extractive model, it is imperative to tackle financial concerns on both continents, including their low-hanging fruit, stated Hassan Damluji, Founding Partner of Global Nation and a contributor to the Carnegie series.

Adeyemi Dipeolu, co-chair of the Africa-Europe Working Group on Illicit Financial Flows, pinpointed that the nature of the international financial architecture and the global tax regime is at the heart of debt vulnerabilities across Africa. The limited representation of Africa in these global decision-making processes does not ensure the liquidity and ease needed to secure investment resources.

The reforms of both, with more accessible finances for countries in debt or at risk of debt distress, will likely unlock their potential, and conventions such as the new UN Tax Convention have been highlighted as crucial.

Inadequate domestic resource mobilisation, representing an average of under 20% of African GDP, was also mentioned as one of the major challenges to improving finance across Africa and Europe.

Due to poor tax administration and especially the rise of illicit financial flows—through tax evasion, signing of secret contracts, and financial secrecy jurisdictions—Africa loses over \$80 billion annually. “Updated figures, but certainly incomplete,” commented Adeyemi Dipeolu, underscoring the magnitude of the issue, currently more than double the amount of ODA going to Africa. To tackle such an issue, participants stressed the importance of accountability among countries, with a specific focus not only on the origin of flows but also on destination countries, including European ones.

Pascal Saint-Amans, co-chair of the Africa-Europe Working Group on illicit financial flows and former director of the OECD Centre for Tax Policy and Administration, echoed the calls “to stop the bleeding of capital flows from Africa.” Delivering a plea for reallocating funds and promoting concrete measures to help fight illicit financial flows, he stressed the importance of political actions at the European Union level to address these issues through preparing reports, alerting people during conferences, and supporting concrete actions to make a difference on the ground. To conclude his speech, Saint-Amans renewed his hope in a new EU Commission, which could set a dialogue with all African countries.

This expectation paved the way to introduce the contribution of Koen Doens, Director General at the European Commission DG for International Partnerships (DG INTPA), who shared a glimpse into the Commission’s efforts to develop new, innovative financial mechanisms.

“Public finance will never be enough to plug the investment gap and unlock the continent’s full potential”, he explained, “which is why DG INTPA has recently shifted its approach to its partnership with Africa by looking at how the current financial architecture can change to unlock public and private investments alike”.

Taking as an example Global Gateway, a strategic framework meant to unlock necessary investment flows, with the ambition of leveraging around 150 billion euros by 2027 for Africa,

Mr. Doens noted that the programme has sustainable investment at its core, taking an analytical eye to the international financial system overall, with domestic resource mobilization and combating illicit financial flows as matters of priority.

Alongside the EU’s support to several initiatives and fora across both continents, two initiatives were cited by Koen Doens as key enablers of improved finance systems: the ‘Collect More, Spend

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Better' initiative, which focuses on public finance management both on the revenue side and on the spending side, aiming to support the establishment of efficient tax administrations and the development of inclusive and equitable tax policies. The second, launched over one month ago, is the Team Europe initiative on Supporting Africa in Combating Illicit Financial Flows and Transnational Organized Crime, strategically pooling 450 million euros to be deployed in grant funding through continental, regional and national programs to look at the full spectrum of IFFs, from tax-motivated to money laundering. With the new College of Commissioners, the promise is to focus on developing a strategy specifically for sustainable finance for Emerging Markets and Developing Economies.

In response, Edma Lawer, Project Support Associate under the Chairperson's Office for the Independent Continental Youth Advisory on the African Continental Free Trade Agreement, stressed that the European Union should keep in mind that umbrella solutions are not the way forward. Failure to consider the unique characteristics of each African country risks undermining important objectives of investment and the Global Gateway package overall: fostering AU-EU partnership, creating jobs, and developing local content and capacity. Thus ensuring alignment between continental strategies and investments is essential. Doens agreed, saying, «None of these are quick fixes,» which is precisely why making investments may take time.

Eloise Todd, Executive Director and Co-founder of the Pandemic Action Network, stepped in, bringing the upcoming multiannual financial framework negotiations into focus. «We absolutely need to protect this very precious resource of public financing,» she stated, emphasizing that the next long-term EU budget must be ambitious and exceed the current one.

Looking ahead, attendees agreed more discussions on sustainable finance should include untapped areas of opportunities and leverage new avenues for investment. But they should also foster collaboration and knowledge exchange outside established frameworks. As Doens mentioned when renewing support for the Africa-Europe Foundation: «There are quite a few things you can do when interacting as institutions, but if you really want to change the dynamic in an unbureaucratic and lively way by bringing Africans and Europeans together, you need to do that outside the institutional framework. The Africa-Europe Foundation, with its subgroups, makes an absolutely essential contribution to this political agenda».

A follow-up convening will be scheduled by the Africa-Europe Foundation on 6 November 2024 to chart the path forward as the new EU College of Commissioners assumes office and the AU Commission prepares for its upcoming election.



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